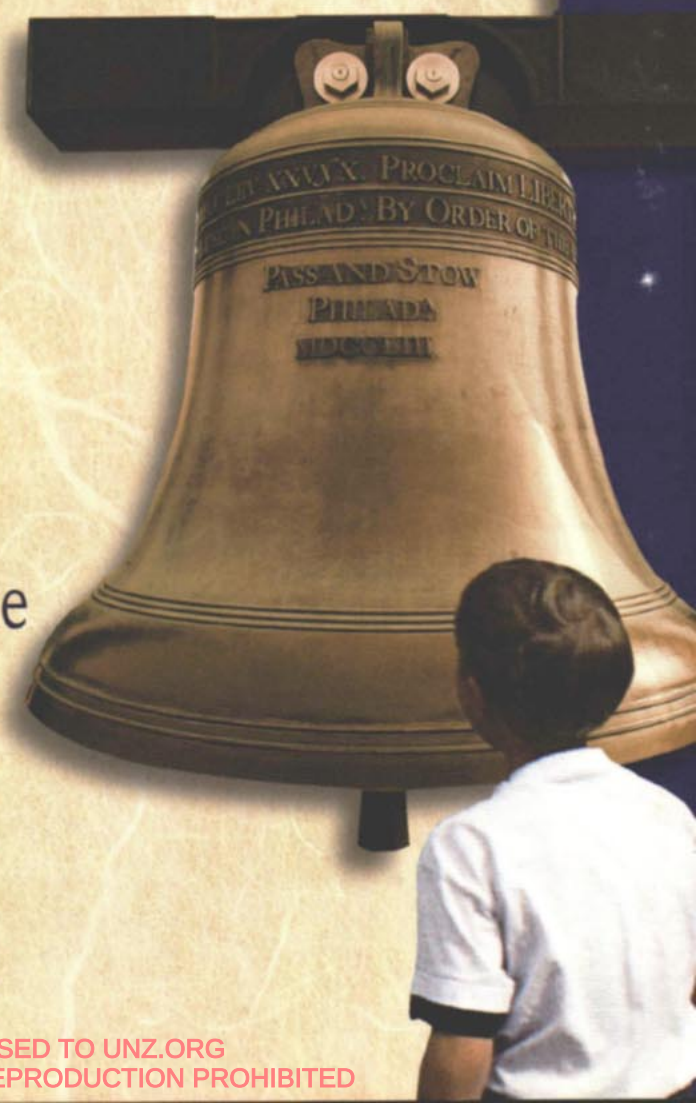
IDEAS ON LIBERTY

FEE's Monthly Magazine

The Origin of the 21-Gun Salute

- This Is America?
- Lady Godiva, Where Are You?
- America's Secret Challenge
- Mark Skousen on the Key to Wealth



JULY 2002

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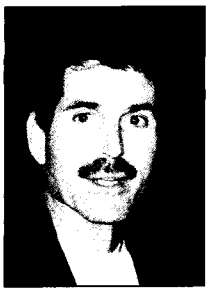

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John Stossel

ABC News Correspondent

With remarks by

Mark Skousen

President, FEE

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IDEAS ON LIBERTY

July 2002 Vol. 52, No. 7

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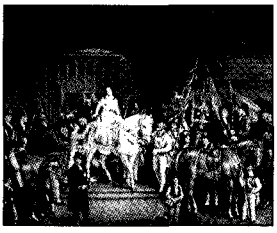

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PERSPECTIVE

An Honor Deserved, A Champion of Freedom Mourned

With great sadness we at FEE received the news that Peter Bauer, 86, had died on May 2. Perhaps we took it harder because we were still rejoicing over his winning the Cato Institute's first Milton Friedman Prize for Advancing Liberty. So many meaningless awards are given out; it was a pleasure to see a significant honor bestowed on a worthy recipient. No one deserved it more. (See James Dorn, "P.T. Bauer's Market-Liberal Vision," *Ideas on Liberty,* October 2000.)

Part of the emotional appeal of the freedom philosophy lies in the image of the courageous individualist who stands alone against the multitude to struggle for what he believes is right. That describes Peter Bauer. Beginning after World War II, he stood against the economics establishment and insisted that the undeveloped world needed free markets and private property. That may not sound terribly radical in 2002, but in 1946 and for decades afterwards, to favor laissez faire for the poor was to risk professional ostracism. Those were years when nearly everyone believed that countries could develop only with Soviet-style central planning. Peter Bauer would have none of it. Through empirical studies in West Africa and Malaysia and impeccable economic reasoning, he showed that free-market principles are universal.

The development establishment had a thousand reasons why markets wouldn't work in Africa, Asia, and Latin America. The likes of Gunnar Myrdal and John Kenneth Galbraith "knew" that poor people don't respond to market incentives, that they can't afford to save and invest, and that only foreign aid can offer hope. To which, Peter Bauer replied: how, then, did the West get rich? After all, poverty is the natural state and there was no one to ask for foreign aid.

Through books and articles (his last is *From Subsistence to Exchange and Other Essays*) Bauer patiently showed that markets work and that government-to-government transfers only fatten the intrusive political

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class. Among the myths he shattered are the beliefs that the undeveloped world is overpopulated and that the West caused its poverty.

Bauer's work, in contrast to the condescension of the mainstream development economists, brims with respect for the people of the developing countries. Such is the result of his embrace of the universal values embodied in the freedom philosophy.

* * *

The government has accumulated new intrusive powers under the mantle of fighting terrorism. Among the places the new power is most visible are airports. Not everyone is pleased with being subjected to intimate searches without probable cause. Ask James Otteson.

When two buddies get together to talk taxes over beers, you never know where the conversation will end up. Ted Roberts's experience was typically atypical.

If the Constitution protects freedom of association, why does the government violate it so egregiously? Charles Baird compares the guarantee with the sorry record.

Is Social Security or private investment the better way to provide retirement income? Roger Clites relates his own experience with both methods.

When regulators decide they know better than businessmen how to serve customers, it is the customers who ultimately suffer. Joseph Fulda, recently victimized, explains.

A young leftish Danish statistician has dared to dissent from the Official Environmental Truths, and the green priesthood has all but reconvened the Inquisition. Jim Peron details the rough treatment accorded Bjørn Lomborg.

What is one to do when one's mother decides *not* to farm in order to get a government agricultural subsidy? Gardner Goldsmith faces this age-old problem.

He was a contemporary of Kipling, Shaw, and Wells; a writer and social commentator—and a little-known classical liberal. Frank Laffitte has the story of Lafcadio Hearn.

One of the dogmas of our time is that virtually everyone should go to college and the taxpayers should pay for it. But George Leef says this dogma should be put to sleep.

How are society and the market like furniture and lunch? They're abstractions that can be used to conceal more than reveal. John Wenders warns of the dangers of mistaking collective nouns for entities.

Barbara Ehrenreich set out to show that you can't make it in America on a minimum-wage job. But Larry Schweikart shows that the baggage she took with her held some bad premises.

It's well appreciated that too much of anything can be lethal. William Peterson says that it's about time that principle was applied to government.

Some big-league political philosophers believe that government precedes rights and not vice versa. Tibor Machan has a challenge for them.

We inaugurate a new column this month: "Our Economic Past." Rotating contributors will be Robert Higgs, editor of *The Independent Review*; Burton Folsom, historian in residence at the Center for the American Idea; and Stephen Davies, senior lecturer in history at Manchester Metropolitan University in England. Higgs begins by exploring the reasons for Western economic progress.

In other columns: FEE President Mark Skousen considers Singapore's dramatic economic growth. Lawrence Reed reports on the tyranny of historical preservation. Doug Bandow takes a look at Cuba from the inside. Thomas Szasz points out that a really tolerant society wouldn't tolerate coercive psychiatry. Donald Boudreaux pays tribute to his parents. Walter Williams identifies the true protector of consumers and workers. And David Henderson, subjected to claims that Enron shows the need for more regulation, responds, "It Just Ain't So!"

Reviews this month focus on Julian Simon's last book and volumes on America's prisons, the family, the public schools, the income tax, and the effects of world trade.

—SHELDON RICHMAN

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From The President's Desk

by Mark Skousen

IDEAS ON LIBERTY
JULY 2002

From Poverty to Riches: Is There a Magic Elixir?

"The problem of making poor countries rich was much more difficult than we thought."
—WILLIAM EASTERLY, World Bank[1]

"If there is one formula for our success, it was that we were constantly studying how to make things work, or how to make them work better."
—LEE KUAN YEW, former Prime Minister, Singapore[2]

William Easterly has spent his entire adult life working for the World Bank, living in the Third World, and helping poor countries develop into rich countries. You would think he would severely lecture the World Bank and his fellow economists about the dumb policies governments have pursued.

Instead, Easterly throws his hands in the air and offers no clues to the "elusive" quest for growth. He confirms a few economic truths, such as "incentives matter" and "government can kill growth," but ultimately he thinks luck has as much to do with it as anything. "There are no magic elixirs," he sighs. The almighty empirical evidence solemnly declares it. Foreign aid doesn't work. Foreign investment doesn't work. High savings don't work. Investment in machinery doesn't work. Education doesn't work. Technology doesn't work. Tax cuts don't work. All have failed to live up to expectations. It's time for the economist to be humbled: "It's very, very hard to predict success in sports, music, and politics—as well as in economics."[3]

Over the years I have witnessed a split in the economics profession. Some adhere to the view that we live in an Age of Ignorance; that we know very little about how the world economy really operates and what government policies should be pursued. They are in large measure armchair critics and doubting Thomases.[4] Others believe we live in an Age of Enlightenment; that despite maddening uncertainties about the marketplace, we do know with some assurance how a freely competitive market economy works and we have learned a great deal about what governments should and should not do. It is sad commentary to see that despite his honesty, Easterly, a seasoned veteran in the war on world poverty, tends to fall into the former category. He certainly lost an opportunity to clear the air and reveal the root causes and cures of poverty.

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Singapore's Economic Miracle

Perhaps one reason Easterly's story ends in tragedy is that he apparently spent too much time in failed economies and not enough time in successful ones. I notice that his book says almost nothing about Chile, the economic model of Latin America, or the Four Tigers—Hong Kong, Korea, Taiwan, and Singapore.

Contrast Easterly's confused story with Lee Kuan Yew's autobiographical account of Singapore. Lee became president of the tiny, poverty-stricken British colony after it was granted independence in 1965. In one generation, he oversaw its transformation into an Asian giant with the world's number-one airline, best airport, busiest port of trade, and the world's fourth-largest per capita real income.

How did this economic miracle happen?

First, Lee offered real leadership. He was a seminal figure in Asia who accomplished extraordinary things. He built an army from scratch, won over the unions, and destroyed the communists after the British left a vacuum. Despite strong opposition, he insisted on making English one of four official spoken languages, knowing it was fast becoming the language of international business. Singapore, like other Southeast Asian countries, was known for its nepotism, favoritism, and covert corruption; Lee cleaned up the courts, police, and immigration and customs offices. Today Singapore is ranked as the least corrupt country in Asia. Singapore was also dirty, so Lee began a "clean and green" campaign. Rivers, canals, and drains were cleaned up and millions of trees, palms, and shrubs were planted.

The Lee government tore down dilapidated shacks and replaced them with high-rise apartments. He imposed law and order by demanding severe sentences for murder and other crimes. Today Singapore ranks no. 1 in the world for security. To reduce traffic congestion, a huge problem in Asian cities, Singapore built an underground subway system, and imposed an electronic road-pricing program. Every vehicle has a "smart card" on its windshield, and the toll amount varies with the road used and the time of day. During rush hour, the price goes up. "Since the amount people pay now depends upon how much they use the roads, the optimum number of cars can be owned with the minimum of congestion."[5] A sound economic principle!

Lee rejected Soviet-style central planning and domestic heavy industry, although he did target certain industries for development. He focused on a two-pronged plan to advance Singapore: First, his government encouraged domestic industry to leap over their neighbors and link up with the developed world of America, Europe, and Japan, and tried to attract their manufacturers to produce in Singapore. Second, Lee wished to create a First World oasis in the Third World by establishing top standards in security, health, education, communications, and transportation, and a government offering a stable currency, low taxes, and free trade. Singapore would become a "base camp" for multinational corporations from around the world. And, after years of effort, it worked.

Under Lee's brilliant leadership, Singapore has advanced far beyond anyone's dreams. Yet we cannot ignore his mistakes—his paternalistic strong-arm tactics, his interventionist targeting of industries, his forced saving programs, his denial of a free press, and his excessive punishments for certain crimes. It will be interesting to see how Singapore performs, both as a people and economy, after Lee Kuan Yew is gone. We can only hope that economic freedom will lead to political liberty. □

1. William Easterly, *The Elusive Quest for Growth* (Cambridge, Mass.: MIT Press, 2001), p. 291.
2. Lee Kuan Yew, *From Third World to First: The Singapore Story, 1965–2000* (New York: Harper Collins, 2000), p. 687.
3. Easterly, p. 208. Despite Easterly's failure to come to any clear conclusions, his book offers an honest and often entertaining appraisal of development literature.
4. See my columns, "Is This the Age of Ignorance—or Enlightenment?," June 1994; "European Unemployment: The Age of Ignorance, Part II," January 1995; and "The Age of Confusion," August 1995.
5. Lee, p. 206.

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Enron Shows Need for More Regulation?

It Just Ain't So!

In his December 24, 2001, *Business Week* column, journalist Robert Kuttner claimed the Enron scandal "suggests the need for tougher regulation." That Kuttner would make such a statement is not surprising; he consistently advocates increasing the government's power over our economic lives. But even many people who are generally sympathetic to economic freedom are questioning their belief that an unregulated market works best. But the Enron debacle happened in a regulated market. Without such regulation, the Enron crisis would likely not have been as severe as it was.

Consider financial regulation. Kuttner writes, "Only regulators (and their proxies, such as the Financial Accounting Standards Board) can force corporations to disgorge potentially embarrassing information." When I read such a statement, I don't know whether to laugh or cry. Kuttner correctly identifies the FASB as a proxy regulator: the Securities and Exchange Commission, a government agency, requires corporations to comply with standards set by the FASB. Which means that Kuttner, who advocates increased regulation, is arguing that only the kind of regulation we have will work. There's one little problem with his view: the current regulations didn't work. The agencies that Kuttner trusts as the only ones that can force embarrassing information into the open didn't do so.

But wouldn't we have even more Enrons if we got rid of all regulation? Probably not. The reason is that many of us value information about the firms we invest in and we are willing to pay for that information. Why do I trust the toaster I buy not to explode in my face and the motel I stay in to have clean sheets? There are two main reasons. First, the companies making these products treat customers well in order to establish a reputation for quality. A famous example of a firm that did well by producing a safe product, while those about them were producing dangerous ones, is Standard Oil of New Jersey. Kerosene, which began to be widely used in the late nineteenth century, had a nasty habit of blowing up and burning people to death. The reason: the product was not standardized. John D. Rockefeller came along and standardized it so that people knew it was safe: thus the company's name, Standard Oil.

The other reason we trust products and services is that private certifying organizations such as Underwriters Laboratory (UL) diligently examine firms' products to make sure they meet their standards. If tomorrow the government stripped the FASB of its government-granted monopoly on standards, then certifying agencies would come along that would give publicly held companies the equivalent of a UL certification.

But wouldn't companies aggressively game the system, as Enron did, to find ways to meet the standards while still misleading the public? Possibly, but a private certifying agency, with its own reputation at risk, would have a stronger incentive to spot these shenanigans quickly than does a government-backed monopoly with zero wealth at stake.

Kuttner goes for the hat trick, using the Enron scandal to argue for increasing regulation in two other areas as well. First, he claims, Enron's large profits in California's electricity market show that deregulation of electricity doesn't work. It shows no such thing. California's government did not deregulate electricity in the mid-1990s; it re-regulated it, replacing the old rate regulation with some new regulations that only a market socialist could love. One of the new reg-

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ulations was a vertical disintegration of the industry, which forced retail electricity providers to buy their power from generating companies. A related regulation prevented the retailers from having any contact with those who sold them the electricity, and also prevented them from buying on anything other than the daily spot market. In other words, all trades had to be made anonymously. One final regulation required each buyer to pay the highest price agreed to by any buyer that day. What that meant was that in times of short supply, generating companies would be foolish not to charge high prices. Refraining from doing so would not establish a reputation that would help them because no electricity buyer would be able to knowingly give his business to such a company in the future. This regulatory brew certainly did help Enron, but if this was deregulation, then Sweden's economy is laissez faire.

Coerced Employee Stock Ownership

Kuttner also claims that "Enron employees were coerced to put the bulk of their tax-subsidized retirement savings into—guess what?—Enron stock." He's right about coercion, but wrong about the entity doing the coercing. Enron gave its employees strong incentives to hold Enron stock in their 401(k) plans. But Enron never used coercion. Rather, it gave them what looked like a sweet deal due, in part, to the federal government's coercion of Enron. Specifically, the Employee Stock Ownership Plan, introduced by the federal government in 1974 with the Employee Retirement Income Security Act, gave companies a tax cut for selling stock to its employees. In other words, the federal government coerced money, literally, out of companies if they didn't play along and then reduced the coercion if they had their employees own stock.

Kuttner writes that it "should be illegal" for a corporation "to force its employees to put all their retirement eggs in one basket." I agree. But the issue is irrelevant because as mentioned above, Enron didn't use force. Even if Enron insisted that its employees buy its stock, which it didn't, that simply would have been terms of a contract that every Enron employee was free to refuse by not working there. But Kuttner probably knows that, and is misusing the language of coercion to hide his own advocacy of real coercion. If a company and its employees agree, unwisely in my opinion, that they will hold only the company's stocks in their 401(k)s, I'm guessing that Kuttner would want to stop them—using real coercion, the kind that puts people in jail for resisting.

After detailing all the ways in which Enron and other companies should be regulated, Kuttner writes: "Enron was the ultimate politically engaged company. Its chairman, Kenneth L. Lay, was an intimate of the Bush family and was wired to Democrats as well. Enron's operatives relentlessly lobbied state legislatures to provide a lax climate in which to pursue its market manipulation.

Kuttner is half right. Enron was "the ultimate politically engaged company." But, as Cato Institute's Jerry Taylor pointed out in the *Wall Street Journal* (January 21, 2002), the only thing consistent about Enron's lobbying was that it was in Enron's self-interest. If this meant lobbying for deregulation, then fine. If it meant lobbying, as in California, to get utilities out of generating electricity to make room for Enron, and for strict price controls on the use of transmission grids, then that was fine too.

Does Kuttner really think that increasing regulation will make companies lobby less?

—David R. Henderson
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Hoover Institution

David Henderson is the author of The Joy of Freedom: An Economist's Odyssey.

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IDEAS ON LIBERTY
JULY 2002

This Is America?

by James R. Otteson

I have long had an uneasy relationship with airport security. Before September 11, I resisted the demand that I produce a *government*-issued ID, believing that it smacked too much of the "Papers, please" of the former Soviet Union that Hollywood movies used to mock and we free Americans used to laugh at.

I also used to withhold permission to search my bags. On one occasion before September 11, in the Birmingham, Alabama, airport, the security guard was nonplussed when I answered no to her perfunctory request for permission to search my briefcase. I told her, and then her supervisor, and eventually a man who identified himself as the head of security at the airport, that I am protected by the Constitution from unreasonable searches and seizures. I showed him the Fourth Amendment in the copy of the Constitution I always take with me when I travel. It meant, I said, that unless they had either a warrant or probable cause to suspect me of some crime, they had no right to demand to search my bag. They admitted that they had neither, but, in what was then a shocking revelation and now seems only to have been ahead of its time, the chief of security said: "Well, you have *your* law; I have *mine*."

That was before September 11. Since then, all sanity—not to mention quaint notions like individual liberty, rights, and privacy—is fast going the way of the Edsel.

Several weeks ago in the airport in Traverse City, Michigan, my wife, my children of 8, 5, and 3, and I were all "randomly" selected for a complete search of all our belongings. I have never been subject to more humiliating treatment in my life. We all—including my three-year-old son—had to take off our shoes, and hand them over for "inspection." I had to take off my sport coat and belt as well; and I had to hand over my wallet for it to be—well, who knows?

I made my usual protest about protections from unreasonable searches and seizures, but they fell on deaf ears. "We're just following orders," I was told. That was the defense Nazi war criminals used, I said. Following orders does not relieve you of responsibility for your own actions. "Are you calling me a Nazi?" one demanded. "You call me a Nazi again and you're *never* getting on that plane!"

Whose orders are you following? "The FAA's." The FAA has instructed you to detain and search innocent American citizens and their families? "Where have you been lately, buddy? Haven't you heard of what happened in New York?" But wasn't that tragedy, like most terrorist activities against America, perpetrated by people who were *not* native-born American citizens, and who were *not* traveling with their wives and small children?

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By this point I was surrounded by approximately half a dozen security guards and several armed National Guardsmen. I was informed that if I did not "shut up," I would be made to "go Greyhound the rest of [my] life." I asked whether I was suspected of a crime. I was informed that asking so many questions "about the Constitution and all" was *making* me suspicious. "This is America now, buddy. You better shut up and get used to it!"

I asked whether they now intended not only to violate my right to be free of arbitrary searches and seizures, but also my right to free speech. I was then told—through clenched teeth—that if I said "one more word," they were going to "lock me up" and make me "go Greyhound the rest of [my] life." "*I have that power,*" one security guard growled at me ominously.

My children were frightened and on the verge of tears, and my wife, also growing uneasy, implored me to simply let them do what they wanted to do. So after a tense moment I stood aside, escorted by two armed National Guardsmen, while several security guards searched through our bags. I had to stand by silently while all of our things were taken out and examined, no doubt with extra thoroughness to punish me for my impudence. My shirts, pants, and socks were unfolded. A man with no gloves on rifled through my wife's intimates; he even fingered through her feminine products.

After some 20 minutes of searching, they finished, and allowed us to go up the one flight of stairs and walk the 50 feet to our gate, where one of the very same people who had searched us downstairs now searched us *again* before we were allowed to get on the plane.

Security Reduced

What has become of us? A once free and proud people lets itself be subject to this kind of totalitarian treatment? Searching my children, my wife, and me does not increase security one iota: as anyone with any common sense could see, we are obviously not a threat. Indeed, wasting time searching people like us squanders the opportunity to check people who actually are likely suspects. So it might in fact *reduce* our level of security.

I flew again just recently. During yet another "random" search of my briefcase, the security guard found a leather thong with weighted ends that I use to hold books open while I read them. (I am a college professor, so this comes in quite handy; my mother gave it to me as a gift many years ago.) The guard decided it could be used as a "blackjack"—apparently a device used to hit people on the head—and called his manager over.

I explained to the manager, as I had explained to the guard, what I use it for. I even got a book out of my briefcase and demonstrated. The manager said, "That's fine. Let him through." "But," the guard protested, "he could use it to knock somebody out!" And he provided his own rather dramatic demonstration of how one might use it. The manager replied, "It's no different from a fist—are you going to cut his arm off? Let him through." I thanked the manager for her common sense.

Thus there is still some of that in airports—but it is increasingly uncommon. And the new security measures being adopted, which do not increase security and instead serve only to inconvenience law-abiding Americans, are quickly stamping out the last vestiges of reasonableness—not to mention liberty—at our airports.

The terrorist threat is real. As September 11 showed, it is all too real. We should not let our political sensibilities trump our good sense when actual lives are at stake. And we should not let our precious liberties—the very liberties that make this country worth dying for—be usurped by petty tyrants who are "just following orders."

The invasive and unconstitutional tactics of such airport security are an alarmingly large step toward creating just the kind of totalitarian society our enemies hope to create. We must not let it continue. □

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IDEAS ON LIBERTY
JULY 2002

Lady Godiva, Where Are You?

by Ted Roberts

Taxation was the theme as my good friend Herb and I hoisted a few at the neighborhood pub the other night. It was his civic duty, he noted, to suck up the suds. Did not our federal government benefit from a healthy tax on alcohol—at the brewery? And did not the state squeeze another 8 percent out of the transaction in the form of sales tax? Furthermore, the state and the federal government, in joyful harmony, taxed the wages of the ladies with aching calves and sore feet who brought our ambrosia to us.

A cascade of largess, for the state, all because of our thirst.

"I had a great year, taxwise," said Herb. "Took a salary cut. Then I managed to find a couple of stocks that went so far south they only traded on the Antarctic Stock Exchange. And to top off the good news, a huge oak fell on the house—a great casualty loss. Mashed the roof and then squashed our very rare and expensive calico cat. It's gonna cost me a fortune to replace the cat. If only Hilda had dumped me and hit me up for alimony—it's deductible, ya know. Hey, I'm off the hook this year."

He ranted on. Then as he slowed down, since he couldn't drink and talk at the same time, I pointed out that we peasants had been suffering this plunder of our earnings since the first historian with a tax liability and a chisel carved out his lament on a big rock.

The pharaohs, of course, were huge taxers and spenders. You don't build pyramids stuffed with luxury goods for the next life by letting your constituents buy untaxed corn. Even Solomon the Wise squeezed his subjects like the vintners squeezed grapes. A thousand wives meant a thousand wedding rings, and a thousand peekaboo nighties, and a thousand honeymoon cottages. His administration rarely ran a surplus. "And he did evil in the sight of the Lord," says that big black book found in hotels and courtrooms. They mean his tax policy, I'm sure.

A couple thousand years later, as feudalism held sway in Western civilization, rulers continued to wring riches out of their subjects.

All of this set us to pining for the reincarnation of Lady Godiva, right here in Alabama. Remember her? Remember the fable about her parading around the square like she was Cameron Diaz and Coventry, England, was Hollywood, California, and it was Oscar night? Well, it's no fable—it's absolutely true. The history books tell us that she bared her bod in an era when gowns went from crown to toenails. Nudity, along with bathing, was not fashionable in courtly circles. A woman who bathed twice a month by paddling around the moat was considered bawdy.

Madam Godiva had a mission. She yearned to elevate the artistic tastes of the

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masses. But hubby Leofric, the Earl of Mercia and Lord of Coventry, had no cultural aspirations, and he positively adored taxation. A 1040, circa eleventh century, instead of the Magna Carta, sat on his bedside table.

Leofric the Looter he was called by his friends. His victims called him worse.

Lady G noticed that the locals spent a lot of time pushing grindstones to generate taxes for her husband. Art Appreciation courses at Coventry U were unattended. But classes in millstone propulsion, oxen plowing, and timber chopping were oversubscribed. All wage-paying, taxable professions.

One night Lady Godiva, dressed in her eleventh-century equivalent of a Saranwrap gown, called upon her avaricious hubby. She told him that the cultural level of Coventry was declining like a barrel of beer on Saturday night. He must chop that onerous tax rate!

He laughed. "Hah."

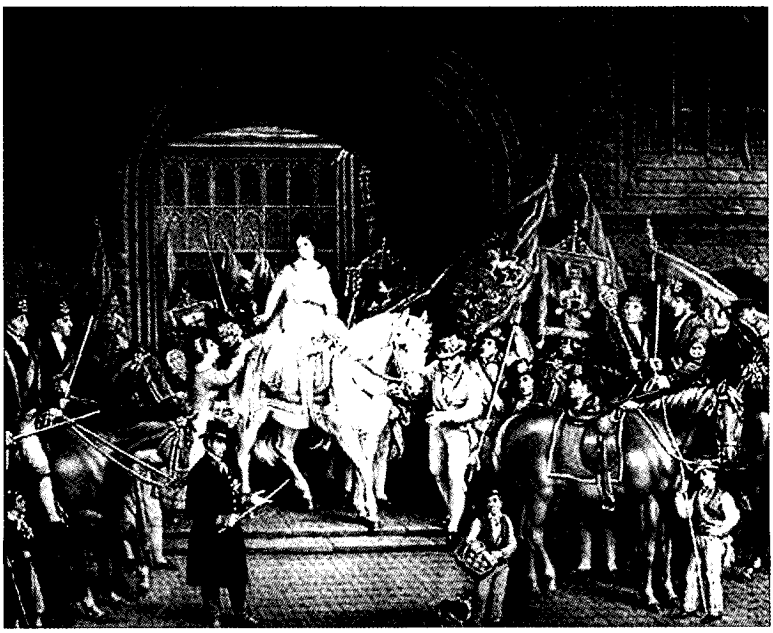
The Lady Protesteth

The good wife cried a moatful of tears. It did no good. She pulled her gown tightly about her pudgy Rubenesque body. That did no good either. Then she lay on her back and kicked and screamed.

Leofric yawned and continued counting his tax receipts. Next, Lady G offered to swim once around the moat as bare as a newborn babe if Leofric would abstain from his favorite vice—taxation. "Nope," said the Liege Lord. "Only if you do three laps. Backstroke, too!!"

She countered with an offer to bolt through the marketplace at midnight as naked as a jaybird, on Nanosecond Nell, the fastest filly in Mercia. "A done deal," shouted the Plunderer.

History doesn't tell us whether Leofric advertised the Midnight Madness burlesque show. More important, it doesn't tell us if Leofric the Looter honored his bargain. But even if he did, his moratorium didn't survive a millennium and the 5,000 miles that separate Coventry, England, and Alabama, USA. I just know that his descendants emigrated to the New World sometime in the eighteenth century. And I know that right now, in the first half of the 21st century, they report to work every morning at IRS headquarters in Tax Central, District of Columbia, USA. I mourn this historical fact with a black arm band every year on April 15. □



COURTESY: www.gsn.uk.com/godiva2.htm

A museum in Coventry, England, boasts this portrait of the good lady.

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IDEAS ON LIBERTY
JULY 2002

Beware the History Police

Preserving historic homes and buildings can be a good thing. Early 1900s storefronts, centennial homes with turrets and gables, and old gas-lighted public buildings are among the many aged structures that offer wide appeal if refurbished faithfully. Most people appreciate old things that are scarce but well-kept because they educate us, remind us of our past, increase the value of property, and are often aesthetically attractive as well.

It is for those reasons and more that individuals, foundations, and organizations are actively preserving history all the time—often without incentives, decrees, or oversight from any level of government. But when radical preservationists wield political power over property owners, even the best of intentions often produce harmful outcomes.

Congress stuck its meddling, constitutionally dubious nose into historic preservation in 1966, and with increasing frequency ever since, private property rights have been imperiled. That was the year lawmakers enacted the National Historic Preservation Act, mandating that each state establish a State Historic Preservation Office. In turn, many states have granted authority to local governments to create "historic districts" for the purpose of regulating changes to private property in those areas. The idea is that public oversight will ensure historic preservation of private property, but two examples from my state of Michigan demonstrate what a nightmare these historic districts can easily become.

In 1996 my hometown of Midland created its "West Main Street Historic District," an area incorporating 24 properties and including homes originally constructed as early as 1874. To many people living in the district, the results have ranged anywhere from a considerable waste of time to what one resident describes as "the worst thing I've ever experienced in my life."

At a recent city council meeting several district residents told story after story of how ridiculous, costly, time-consuming, and intimidating it is to apply for a "Certificate of Appropriateness" from the Historic District Commission (HDC) to improve their homes. Observers learned that the HDC is under no obligation, and makes no attempt, to advise or assist property owners. The burden is on the owner to prove that any proposed improvement is historically accurate, even when no historic evidence exists. Decisions by the commission are often arbitrary, arrogant, petty, and even vindictive. At least one of its members made substantial changes to his own property before agitating for creation of the HDC; he now bullies his neighbors with his police power as a history commissioner. People who were once amicable neighbors now spy on one another, reporting possible violations to the authorities.

At the same meeting the response from HDC members was to reaffirm how important they are and how hard they work. Paul Arends, a district resident, put it this way:

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"It is true that the commissioners have long meetings. They do discuss and approve work. They certainly follow up on unapproved changes. There is no doubt that they are busy. Unfortunately, there is not a single bit of evidence that they are effective. They failed to demonstrate how their stated objectives are advanced by what they actually do."

One of Arends's neighbors is an 85-year-old woman who has lived in her home for 35 years. She found working with the HDC so distressing that she decided to live with the ongoing damage caused by roof leaks rather than seek approval for correcting the problem. "I will let my house fall down before I deal with those people again," she commonly says. Score one for the history police, but not for history or for preservation.

The HDC is meant to prevent "bad things" from happening. But these "bad things" are extremely unlikely because of the property's value to the private owners, which is largely related to the historic significance of their homes. That value had risen substantially before the HDC was ever formed. As Arends explains, "The value of homes (like antique cars or most other things) goes down as they age, bottoms out, then begins to rise as the surviving specimens of a certain era become rare." It is true, as HDC supporters warn, that many old homes have been demolished or remodeled beyond recognition. But that's what makes the ones that remain in good historic condition so valuable.

The People Say No

In December 2000 the Owosso, Michigan, City Council passed the "Oliver Street Historic District and Environs" ordinance by a 6-1 vote. The stated goals of the ordinance included safeguarding the heritage of the city and strengthening the local economy—lofty but superficial language that almost anyone could support. Where the rubber hit the road was in how these things were to be done—that is, whether through voluntary means or through heavy-handed edicts. Residents soon discovered it was to be the latter.

The ordinance granted a commission power over any work plans that would alter the outside appearance of any private home within the boundaries of the district. Exactly what kind of exterior work would be permissible quickly became a point of much confusion, if not contention. What parts of a house were made of or looked like a century ago is not always verifiable.

The more they learned about the new ordinance, the more local residents became angry. "We own the property, pay the taxes on it, and incur the expense of keeping it up," said former councilman Burton Fox. "Why should it suddenly be up to a committee to determine what changes we may or may not make to our homes?"

So last August Owosso residents voted to repeal the eight-month-old historic district ordinance 70–30 percent. A repeal leader, councilman Mark Owen, sums up the vote this way: "Keep your cotton-pickin' fingers off our history and our property."

Restoration and preservation are possible only when individuals put their own money, blood, sweat, and tears behind their passion for history and/or their desire to boost the value of what they own. The best defense against erosion of historic value is the very personal, bottom-line interests of the property owners themselves.

Moreover, there remains one powerful marketplace tool for promoting preservation that political agitators and control freaks don't make time to fully appreciate: If they want to see a piece of property preserved, they can band together and buy it. Honest people do it all the time; dishonest people hire politicians to do their dirty work for them.

Like certain buildings, the time-honored principles of limited government, individual liberty, and private property rights are also of historic significance and are worth preserving. Those noble values get quashed when radical preservationists prefer police action to voluntary action. □

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IDEAS ON LIBERTY
JULY 2002

On Freedom of Association

by Charles W. Baird

Freedom of association is guaranteed by the First Amendment to the U.S. Constitution. The relevant portion states, "Congress shall make no law . . . abridging . . . the right of the people peaceably to assemble." Seems simple enough. We may assemble ourselves into whatever peaceful associations we choose, and the government is forbidden to interfere with those choices. But what does this really mean?

Note that the guarantee is in the form of a restriction on what government may do. The political philosophy of the authors of the Constitution and its Bill of Rights was that all individuals have fundamental human rights against which government is forbidden to trespass. Indeed, the most important function of any just government is to protect those rights for all individuals under its jurisdiction.

Logically, a fundamental human right is one that every individual possesses and can exercise in exactly the same sense at every point. If person A claims a right that, when exercised, denies exactly the same right to person B, the alleged right belongs only to A, not B. It should be called an A right, not a human right, for A and B are rivals in the exercise of the right. Genuine human rights are those which can be held and exercised nonrivalrously. The word "peaceably" in the Amendment has two meanings. The associations we choose to enter may not undertake violence to accomplish their ends, and within each association one person may not coerce another. Associations must be based on mutual consent.

That the Constitution guarantees freedom of association to each of us does not mean that we may each associate with anyone we choose. It means that we may associate with whoever also agrees to associate with us. If B is forced to accept A's offer of association, B is not free to choose his associations. Association would be a right of A, not B. It would not be a human right. Therefore, freedom of association, correctly understood, has both a positive and a negative component. We are free to associate with those who will accept us (positive), and we are free to abstain from associations of which we do not approve (negative).

The positive right of freedom of association is recognized by the United Nations and by the European Community. Article 20 of the U.N. Universal Declaration of Human Rights (1948) states:

1. Everyone has the right to freedom of peaceful assembly and association.
2. No one may be compelled to belong to an association.

Article 11 of the European Convention for the Protection of Human Rights and Funda-

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What sort of unionism is consistent with every individual's freedom of association? In a word, voluntary *unionism. Each worker would be free to choose which, if any, union from which he wished to obtain representation services.*

mental Freedoms (1950) states, "Everyone has the right to freedom of association with others, including the right to form and to join trade unions for the protection of his interest." Here, unlike in the U.N. Declaration, there is no explicit recognition of the correlative right to refrain from association. However, the European Court of Human Rights read Article 11 as implying a negative freedom of association in *Young, James and Webster v. United Kingdom* in 1981, a case that involved mandatory union membership imposed on employees of British Rail. The same Court made a similar ruling in a 1994 case, *Sigurjonsson v. Iceland*, which involved forced membership in an organization of taxi drivers. Negative freedom of association is recognized by American courts for some purposes, but not for all. Most notably, it is not recognized in the case of labor unions.

Freedom of association is often misused as a fundamental argument in support of the legal empowerment of labor unions by the National Labor Relations Act (NLRA). Actually the NLRA violates individual workers' and individual employers' freedom of association. It also violates the freedom of association of unions. The authors of the U.S. Constitution would have considered the NLRA unconstitutional on its face. The NLRA was accepted as constitutional by the Supreme Court in the *Jones & Laughlin Steel Co.* case in 1937 for purely political reasons, not on grounds of careful constitutional reasoning. The New Deal Court sacrificed freedom of association on the altar of political expediency.

Double Violation of Rights

The NLRA violates individual workers' freedom of association in two ways: forced representation and forced payment of agency fees. First, under the principle of exclusive (monopoly) representation, when a union has been approved as bargaining agent by a majority of workers on a job, that union also becomes the bargaining agent for those workers who voted against the union, as well as for those workers who didn't vote. Individual members are even forbidden to represent themselves. Other freedoms guaranteed by the First Amendment, such as freedom of religion and freedom of speech, are not subject to majority rule. Neither should freedom of association be subject to majority rule.

Second, not content to force numerical minorities to give up their individual right to freedom of association to numerical majorities through exclusive representation, the NLRA also forces many workers who are represented by unions against their will to pay those unions for the representation they do not want. This is called "union security," but it is forced association. No worker's fundamental human rights should be sacrificed simply to provide unions with financial security.

The NLRA also violates employers' freedom of association. It forces employers to recognize and bargain with unions that have been approved by majority votes. Bargaining, after all, is a very close form of association. In ordinary contract law and on the basis of freedom of association, any contract

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between A and B that is the result of either A or B being forced to bargain with the other is null and void. The NLRA casts aside freedom of association when it forces parties to bargain with each other.

Unions also lose their freedom of association because they are forced to bargain with employers. Under the principle of mandatory good-faith bargaining, if either the union or the employer wants to bargain about an issue, the other side must agree to participate. Unions, of course, don't count this as a loss. They rely on forced association to accomplish their ends. The NLRA violates the unions' freedom of association in yet another way. Unions must accept as members any workers who want to join them.

What sort of unionism is consistent with every individual's freedom of association? In a word, *voluntary* unionism. Each worker would be free to choose which, if any, union from which he wished to obtain representation services.

Each union would be free to choose which of these willing workers it agreed to represent. It would represent its voluntary members and no one else.

No employer would be compelled to bargain with any union, and no union would be compelled to bargain with any employer. If a worker chose to be represented by a union that was willing to accept that association, any employer who wanted to bargain for the employee's services would have to bargain with the union chosen by the worker. But any employer would be free to decline to bargain for the services of any worker whether represented by a union or not. Individual employers could choose to settle the question of union representation by majority vote of its employees. Workers who were willing to go along with that process would accept employment with that employer, and other workers would not. Any employer would be free to decide to hire only union-free labor or only unionized labor. Workers who were amenable to that arrangement would accept such employment offers, and other workers would not.

To unions that have grown accustomed to the special privileges granted to them by the NLRA, truly voluntary unionism is anathema. They probably are convinced they cannot survive without the power to coerce others. But if they were forced to rely on the consent of others they might become quite innovative and actually put together packages of services that workers and employers would find genuinely useful. In any event, the welfare of unions is not a legitimate excuse for violating the freedom of association of anyone.

If Congress insists on giving unions special privileges of coercion, it should be honest and promulgate a constitutional amendment that says freedom of association does not apply in labor markets. Don't hold your breath. □

In a free society, labor unions, like other organizations, would be voluntary groups trying to advance the interests of their members. They would abide by the laws and seek no special privileges or immunities. Unions that offered employers the most competent and reliable workers, who were willing to work for competitive free-market wage rates, would grow and prosper.

—Percy L. Greaves, Jr.

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IDEAS ON LIBERTY
JULY 2002

Social Security Privatization: A Personal View

by Roger M. Clites

The increasing interest in replacing Social Security with private retirement accounts has spawned worries that people's retirement money would be too much at risk.

I have experience with both Social Security and a private investment program and have learned something about the relative performance of each. Beginning in 1943 when I worked summers while in high school, and then in 1951 when I began to work full-time, until my retirement in 1991, Social Security taxes were taken from my paychecks. That was a period of 48 years of employment, 40 years full-time.

In contrast, during 22 of those years, 1966 to 1988, I taught at colleges that participated in the TIAA-CREF (Teachers Insurance and Annuity Association and College Retirement Equities Fund) program. Payroll contributions to TIAA went into fixed-income securities (bonds), and those to CREF went into equities (stocks). Participants could allocate their contributions between the two programs. My contributions were either 5 or 6 percent of my pay, depending on where I was teaching. Social Security took that much or more during that time period.

When I retired in 1991 I elected to withdraw only interest from my TIAA-CREF account and leave the principal untouched until I was required by law to begin drawing it down. (That occurred a few years ago.) That interest, on just 22 years of investments, was greater than my Social Security check, which was based on a lifetime of work. The investments in private businesses paid off far better than the taxes taken for Social Security.

Someone might observe that I got out of the stock market before it dropped in the year 2000. True, but I was also out before the run-up in the 1990s. In fact, in 1987 I asked that the portion of my funds that was in stocks be transferred completely to bonds, and I contributed only to the bond fund during the following year.

I must add that I was a reluctant "beneficiary" of Social Security. When I retired, the oldest of my four children was 34 and the youngest 29. My oldest son told me to sign up for Social Security and, in that way, get back a portion of the Social Security taxes that he and his siblings were paying. He believes that the program will fail before they are eligible for benefits.

A second, more compelling reason for participating in the retirement part of Social Security is that I was forced to do so in order to obtain medical care. Social Security and Medicare are tied together, and I was forced into Medicare.

Many people do not know that a medical doctor who accepts private payment from a Medicare-eligible patient loses all right to take Medicare patients for two years. Since most people over 65 do participate in the

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system, this would severely cripple many doctors' practices. Therefore, the only way that I could obtain treatment from most physicians was to enroll in Medicare.

Social Security and Medicare legislation held a life and death grip over my life.

Social Security Requires Force

If people were allowed to choose freely, many would opt for a plan that invested in private securities. The only way to get these folks into Social Security is by force.

Granted, my personal experiences are anecdotal, but I'm sure they are similar to those of many other people. Our investments have weathered several recessions, wars, and various other events that tend to upset economic activity.

Private retirement investment yields higher returns than a government-manipulated scheme. □

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Ripping Up Barstools—For the Consumer's Sake!

by Joseph S. Fulda

Government regulations often frustrate their noble-sounding objectives, backfiring in ways that the planners who imposed them can scarcely imagine. Recently, I encountered a striking example of this generality.

There is a pizza shop in New York that I frequent, not for pizza but to read over a couple of Diet Cokes in one of the five small four-person tables in the back. Sipping Diet Coke over some good reading is one of the few pleasures I take quite seriously, and thus when I saw one of the six barstools that line the serving counter in the front of the store being ripped out, I asked the manager what was amiss. After all, if the stools are removed, the tables will be more crowded and I may have to give up my habit.

He hemmed and hawed, allowing as how people came in to talk, not just eat pizza, and sat on the barstools too long. I looked at him in disbelief. Surely, he knew that chatting and eating always go together—across all cultures—and that his business was going to be destroyed.

Seeing the expression on my face, he motioned me aside and whispered that the owner had directed him to have three or four of the stools removed because of an upcoming inspection. "What is wrong with stools?" I asked. Well, it seems that New York has an ordinance requiring dining establishments with a certain amount of seating to have restrooms for the diners. In the back there is a tiny cramped one-person restroom, but it is for employees only and it is often blocked by supplies. Indeed, the small back is filled with pizza-making supplies and equipment. The manager continued, "I need the back to make pizza: to shred the cheese, knead the dough, and the like. I just don't have the room," he concluded, "so, we must get rid of the stools." (Now, six weeks later, all the barstools are gone.)

I am all for public bathrooms, and I remember with fondness the great Art Buchwald column poking fun at how difficult it is to tinkle (his word) in New York. In fact, I think dining establishments without restrooms are quite inferior—*all other things being equal*—and I do select where I will dine in part—if in *small part*—on the quality and accessibility of the restroom. In other words, having a pleasant restroom is one of the many dimensions along which dining establishments compete, and not having one at all is a clear disadvantage on the market.

But as for forcing proprietors to build restrooms when the market already allows for diners' preferences in this matter—as it does on all other matters *they* consider relevant to their dining comfort—this is plain foolishness, as the case of my pizza shop shows. A small establishment will actually lose customers if it has to sacrifice that much

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space—seating space, food preparation space, serving space—for a restroom, and *that* means that on the whole customers prefer that the space be used for seating, food preparation, and serving. The thought of a dining establishment ripping up seating space up front where no bathroom will go anyway merely to avoid being classified as a sit-down restaurant subject to New York's arbitrary rules is frankly ludicrous. After all, who is the proprietor of the establishment, the owner or the city, and who should by their dollars decide how space should be allocated, the customers who are "always right" or the government, which like a broken clock, is right twice a day? □

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JULY 2002

The Mugging of an Environmental Skeptic

by Jim Peron

When I read Bjørn Lomborg's *The Skeptical Environmentalist* I felt a sense of déjà vu. As excellent as it is, what Lomborg has to say—that the world is not going to hell—has been said before. But it was ignored because it was said by a brilliant man, the late Julian Simon, who was considered politically incorrect.[1] Simon was never taken seriously by the political or media establishment.

It's not that Lomborg's education is better than Simon's. Simon had a Ph.D. in business economics. Lomborg has a Ph.D. in political science. Simon was a professor of economics and business administration at the universities of Illinois and Maryland. Lomborg is a professor of statistics at the University of Aarhus in Denmark.

But Simon had the wrong political credentials. In short, he was an advocate of capitalism. Lomborg, on the other hand, has all the right (or in this case left) credentials. One Danish political journal described him as a "sandal-wearing leftie."[2] He was a member of Greenpeace. He's young and that helps. He's not American, and among the left that is in his favor. He's gay—he should get at least two points for that. He's a vegetarian—bells are ringing.

Professor Denis Dutton, who reviewed the book in the *Washington Post*, said that Lomborg "has the correct cultural aura: a young left-wing European with the looks of a movie star."[3] Lomborg himself hastens to point out that despite his newfound skepticism about environmental alarms he is not "a demonic little free-market individualist."[4]

Lomborg did not set out to write a book affirming Simon's thesis. On the contrary, he says that in 1997, while visiting a Los Angeles bookstore, "I was standing leafing through *Wired Magazine* and read an interview with American economist Julian Simon . . . [who] maintained that much of our traditional knowledge about the environment is quite simply based on preconceptions and poor statistics. Our doomsday conceptions of the environment are not correct."[5] The statistics professor figured he could easily debunk Simon. But in the process of analyzing the numbers from the same establishment sources Simon used, including the United Nations—the debunker got debunked. And *The Skeptical Environmentalist* is now a worldwide bestseller.

Lomborg's credentials may not be the only reason for his book's recognition. After four decades of doomsday hype, the disasters simply haven't occurred. Perhaps the dominant environmental paradigm is about to shift.

While Lomborg's cultural attitudes may have helped attract the media's attention, they are also the reason he is being treated so badly by his former environmental allies. If Simon was the antichrist, Lomborg is Judas.

As expected, the green left is trying to stop

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the debate Lomborg prompted by, among other things, smearing him as an ideological compatriot of Simon. Mikael Skou Andersen, a Danish professor of political science, argued that Lomborg should be ignored because he was merely repeating Simon, whom Andersen falsely accuses of being "a declared opponent of birth control."[6] Lomborg has been falsely called Simon's protégé—and Simon, Lomborg's mentor.

The green lobby is convinced that invoking Simon's name is tantamount to refuting Lomborg. The World Resources Institute (WRI) website includes an attack on Lomborg that, like most of the "rebuttals," is fundamentally an ad hominem diatribe. Edward Flattau, a writer for an environmentalist publication, calls Lomborg's 350-page book a "tract" that is just "a revival of the late Julian Simon's discredited debunking of the environmental movement." He informs us that Simon's view was nothing more than a "messianic rallying cry" for opponents of the green agenda and was "misleading and/or deeply in scientific disrepute." Lomborg, who gathers far more data in one place than dozens of environmentalist books put together, is said to "regurgitate Simon's simplistic contrarian views" and thus he "seems destined to experience the same widespread scientific repudiation of his predecessor."[7]

Scientific Consensus?

Flattau ignores that many of Simon's books were collections of essays by reputable scientists. The green lobby has its Gospel; it simply pretends that this is the scientific consensus. Political support is confused with academic support. Flattau also says that "the environmental community is optimistic that a bright future is in the wings."[8] That's surprising, considering that environmentalist presentations to governments, and appeals for money, are filled with dire warnings.

In his response to Lomborg, environmentalist guru Lester Brown said that in looking over his own dire predictions he was "struck more by the issues that we understated or discovered after the fact than by those we overstate or issues that turned out to be unimportant after all."[9] So Brown, who said the world was about to fall apart on several occasions, now says he was too moderate.

Julian L. Simon (1932–1998)

The left-of-center theologian Martin E. Marty dismissed Lomborg and did instant psychoanalysis on him: Lomborg, he said, "is motivated by revenge on his own intellectual past as a self-described left-wing Greenpeacer."[10]

That's mild compared to some other commentary. As Jonathan Leake, science editor for the *London Sunday Times*, reported, "*Nature* magazine, likens him [Lomborg] to apologists for the Nazis. He has been physically attacked and has had to employ bodyguards." Leake noted that "Even respectable scientific venues are not safe for Lomborg. When he recently gave a lecture at London's Royal Institution he was protected by four bodyguards, and threats were made against him when he addressed the London School of Economics."[11]

Paul Ehrlich, grandfather of the doomsday ecologists, told Lomborg the *Nature* review "was much too kind to your book." Another Lomborg opponent, biologist E.O. Wilson, wrote him saying that Ehrlich spoke for him as well. Jeff Harvey, coauthor of the

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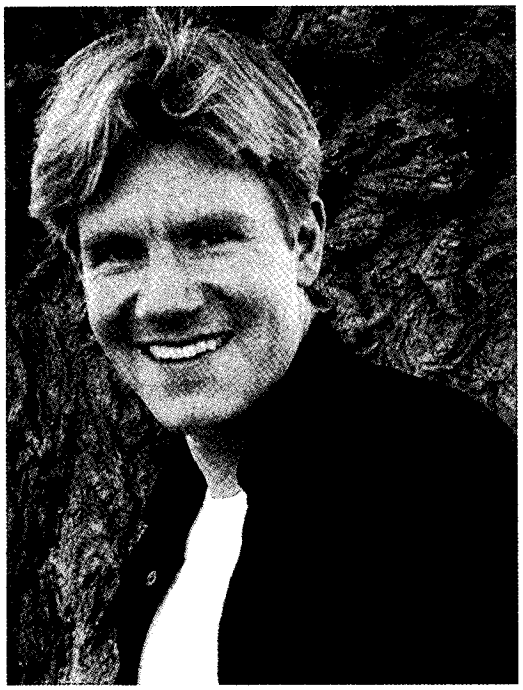

Bjørn Lomborg

review and senior scientist in the Department of Multitrophic Interactions, Netherlands Institute of Ecology, Centre for Terrestrial Ecology, contends that a vast right-wing conspiracy is behind Lomborg's book: "The media is largely supporting Lomborg because his message, as scientifically fraudulent as it is, bolsters the arguments of those of the political right and lends weight to a corporate-driven political agenda." And as for Leake's comments on the unfairness of Harvey's review, this expert on terrestrial ecology said: "Mr. Leake, you are therefore just exposing your own political bias, even if it's crapola. I am also sure that CEO's in boardrooms all over the world are toasting their 'new hero.'"[12]

Alex Kirby, the environmental correspondent for the BBC, uses a peculiar logic to dismiss Lomborg, saying "he reaches conclusions radically different from almost everybody else."[13] What Kirby means is that Lomborg reached conclusions different from the "everybody" the media considers anybody. Kirby displays his peculiar logic with another complaint: "What really riles me about his book is that it is so damnably reasonable. . . . [H]is separate snapshots of the world may be accurate. Taken together, they make a dangerously misleading picture."[14] It's unwise to disagree with those Thomas Sowell calls the "anointed"—that clique of intellectuals who lay out the agenda of the left. Lomborg is dangerous not because he is unreasonable, but because he reasonably counters the litany of problems invented as an excuse to further the advancement of state control.

Journalists Warned

The president of the WRI, Jonathan Lash, went to the unusual extreme of sending letters to all the members of the Society of Environmental Journalists warning them about Lomborg. Lash says that Lomborg "paints a caricature of the environmentalist agenda based on sometimes mistaken views widely held 30 years ago, but to which no serious environmental institution today subscribes."[15] This claim can easily be disproved.

Anyone who looks at Lomborg's endnotes will see that he quotes the environmentalists over several decades, including recent doomsday material published by Lash's own institute. That is what has so infuriated the green lobby. Lomborg has shown that the lobby distorts the facts to promote its own agenda. For decades environmental activists have relied on the public's false assumption that they are merely objective, public-spirited individuals.

The WRI brushes aside the evidence and attacks him because he "has no professional training—and has done no professional research—in ecology, climate science, resource economics, environmental policy, or other fields covered by his book."[16] If a statistician isn't qualified to judge environmental statistics, who is?

Curiously, the green lobby is never concerned about the credentials of its own icons. Paul Ehrlich, who writes best-selling books predicting famine and death in America due to overpopulation, studied butterflies. Ralph Nader, the Green Party candidate for president, is a lawyer. Dr. Helen Caldicott, who speaks out on nuclear power

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and environmentalism, is a pediatrician. When the National Resources Defense Council manufactured a scare about the preservative Alar, the spokesman was actress Meryl Streep.[17] And the great green hope for some years was Al Gore. He wrote a book promoting the doomsday environmental position, yet he learned his views on science in a theology course and then became a journalist and then a politician.

In reading Lomborg's book, one can easily see why the environmental activists are in such a frenzy. He asks if the accepted statistics support or refute the environmentalists' claims. Most of the time it appears the greens have intentionally twisted the facts to support their predicted disasters.

Lester Brown argues that Lomborg's thesis (and Simon's) could be easily tested. "A serious test of this hypothesis would require a systematic review of the research output of the leading environmental groups tabulating both the instances where they have overstated and where they have understated threats to the environment."[18]

That is exactly what Lomborg has done. All that his critics have found are minor errors that would be typical of a book this size. In a few places the translation from Lomborg's Danish to English was imprecise and the meaning clouded or confusing. He openly acknowledges his errors on his website.[19] The fact remains that the book, with 2,930 endnotes, has to be one of the most meticulously researched volumes in history.

Denis Dutton accurately summed up what has happened: "an army of angry environmentalists has been crawling all over the book, trying to refute it. Lomborg's claims have withstood the attack."[20] □

1. See Julian L. Simon and Herman Kahn, *The Resourceful Earth* (New York: Basil Blackwell, 1984); Julian L. Simon, *The Ultimate Resource* (Princeton, N.J.: Princeton University Press, 1981), and *The Ultimate Resource 2* (Princeton, N.J.: Princeton University Press, 1998); Julian L. Simon, *Population Matters* (New Brunswick, N.J.: Transaction Publishers, 1996); Julian L. Simon, ed., *The State of Humanity* (Cambridge, Mass.: Blackwell, 1995).

2. Quoted in Bjørn Lomborg, *The Skeptical Environmentalist* (Cambridge: Cambridge University Press, 2001), p. 359, n. 249.

3. Denis Dutton, "Greener than You Think," *Washington Post Book World*, October 21, 2001, www.washingtonpost.com/ac2/wp-dyn?pagename=article&node=style/books&contentId=A12789-2001Oct18.

4. Lomborg, p. 32.

5. Ibid., p. xix.

6. Mikael Skou Andersen, "Book Review," *Politica 1* (1999); www.au.dk/~cesamat/debate.Politica.pdf.

7. Edward Flattau, "Simon Déjà vu," *Global Horizons*, August 22, 2001; posted at www.wri.org/press/mk_lomborg_simon_dejavu.html.

8. Ibid.

9. Lester Brown, "Bjorn Again: On Bjorn Lomborg and Population," *Grist Magazine*, December 12, 2001; www.gristmagazine.com/grist/books/brown121201.asp.

10. Martin E. Marty, "Faith-based Energy Policy," University of Chicago Divinity School; http://divinity.uchicago.edu/sightings/archive_2001/sightings-082001.html.

11. Jonathan Leake, "Eco-Heretic Beset by Hate Campaign," *Sunday London Times*, January 13, 2002; posted at www.freerepublic.com/focus/fr/607166/posts.

12. All quotations in this paragraph are at http://legalminds.lp.findlaw.com/list/ecol-econ/msg03263.html.

13. Alex Kirby, "Bjorn Lomborg's Wonderful World," BBC News, August 23, 2001; http://news.bbc.co.uk/hi/english/uk/newsid_1502000/1502076.stm.

14. Ibid.

15. "Letter from Jonathan Lash to the Society of Environmental Journalists," November 6, 2001; www.wri.org/press/mk_lomborg_lash_sej.html.

16. World Resources Institute and World Wildlife Fund, "Nine things journalists should know about *The Skeptical Environmentalist*," at www.wri.org/press/mk_lomborg_09_things.html.

17. Reed Irvine, "Confessions of a Radical Disinformer," *AIM Report* (Accuracy in Media), XVIII, no. 20, (1989), p. 2.

18. Brown.

19. See www.lomborg.com.

20. Dutton.

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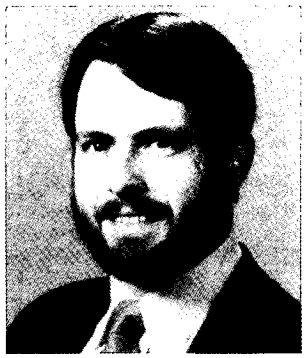
JULY 2002

Washington's Inadvertent Support for Cuban Communism



HAVANA, Cuba—Roberto Alarcon, well-dressed but of unexceptional appearance, is thought to be the No. 3 man in Cuba, after only Fidel and Raul Castro. He lazily sprawled in his chair before eight American journalists, fondling his cigar. Asked about Havana's willingness to negotiate with the United States over its embargo against his country, Alarcon responded: there's "no reason to consider negotiating a failing policy."

And failing it is. For more than four decades the U.S. government has attempted to isolate Cuba's communist regime. And for more than four decades that government has survived. Fidel Castro burst onto the international stage in 1959 by deposing the corrupt and unloved Fulgencio Batista. Cuba became the Soviet Union's outpost in the Western hemisphere, in 1961 earning U.S. support for a botched invasion by Cuban émigrés and an economic embargo.

The latter undoubtedly bled the Cuban economy. But the Castro government survived, buoyed by abundant Soviet subsidies—evidenced today by ancient Lada automobiles on Cuban streets and generic Soviet refrigerators in Cuban homes.

A decade ago the USSR collapsed. American supporters of the embargo promised that Castro's time had come.

For instance, in February 1992 Jorge Mas Canosa of the Cuban American National Foundation declared: "I strongly believe, given the information that is coming out of Cuba, that the economy is going to collapse by the summertime, and that Castro cannot do anything to stop this collapse." Two years later Heritage Foundation analyst John P. Sweeney announced: "The 32-year-old trade embargo against Cuba may finally be producing its intended results of destabilizing the island's communist government and weakening Fidel Castro's control of the Cuban people. . . . [H]is final collapse may be closer than ever before."

Alas, Castro is still in power. Indeed, officials in Havana believe that they have survived the worst. It is hard to credit the regime's claim to have the highest growth rate in the region, but new hotels are being built, foreign cars are plying Havana's streets, and dollar stores are hosting Cubans as they buy Western goods.

Support for the embargo persists, however. Its advocates now disclaim any expectation of bringing down the Castro government. Instead, they hope to limit Havana's resources. Yet tens of thousands of Cuban-Americans visit Cuba annually and many more send an estimated $700 million in remittances to relatives in Cuba every year. In short, the Cuban-American community wants one rule for itself and a different rule for everyone else.

While the embargo may deny the Castro regime some dollars, it unfortunately provides Havana a convenient excuse. Elizardo Sanchez, head of the Cuban Commission on Human Rights and National Reconciliation,

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complains that the "sanctions policy gives the government a good alibi to justify the failure of the totalitarian model in Cuba." Ambassador Vicki Huddleston, head of the U.S. Interests Section (America's quasi-embassy) in Havana, agrees: "Castro has found the embargo to be convenient to him," since he "uses it very effectively all the time, making us the Goliath and Cuba the David."

This is largely cant, of course. Although the embargo hurts, it is socialism that has ruined Cuba.

Blame Collectivism

As Sanchez, who has spent more than eight years in Castro's prisons, explains, the nation's economic problems are due not to the embargo, but to "the impact of totalitarian measures" by a regime that is "repressive and inefficient." Collectivism is why this entrepreneurial people is desperately poor, living in a world seemingly frozen in the 1950s—from which many cars date and since which many buildings have not been painted. The embargo is supported by no one else and has done less to isolate Cuba than, say, its welshing on its debts. What sanctions do, however, is limit the potentially destabilizing impact of American visitors and investors. Although American business is not in Cuba, American dollars are. In fact, the economy runs on dollars.

Around Havana's tourist hotels, touts promote *paladares*, or private restaurants. Men and women sidle up to strolling foreigners offering purloined cigars. Pedicabs look for customers and beggars seek a soft touch.

Cubans can shop at stores where everything from food to stoves is priced in dollars. Cuba is socialist, with rationing of basic goods, but everything is available to those with enough dollars.

When asked about such blatant inequality, Alarcon responded that the situation is fairer than a decade ago, when it was illegal for anyone to hold dollars—though some did anyway. But the growing pervasiveness of the dollar, to which up to 60 percent of Cubans have some access, has created a widespread awareness that the Cuban economy combines poverty with inequality.

This might be helping to spark the spread of human-rights activists and independent journalists across the island. Argues a senior European diplomat based in Havana: we are "convinced that greater openness of trade and commerce with Cuba would enhance social and economic changes."

American trade, investment, and travel might pose an even greater challenge to Castro's government, perhaps the most significant yet. For this reason Sanchez advocates lifting sanctions.

Of course, he admits, in the short-term money brought to Cuba that ends up in Castro's hands "will be used for repression." Nevertheless, "it would be more fruitful over the long-term if people from democratic states came to Cuba." The majority of dissidents share his opinion.

In fact, because of the destabilizing influence of outside influences, Sanchez suggests "that the Cuban government really doesn't want the embargo to be lifted." Alarcon dismisses the idea, joking about Castro and Senator Jesse Helms, sponsor of legislation tightening the embargo, conspiring together in a backroom. And Cuban economic officials speak positively of growing support from American farming and business interests for allowing more trade. Yet some U.S. officials privately share Sanchez's view.

Communism has ended as a serious intellectual and geopolitical force. Even its practitioners seem dissatisfied. For instance, Alarcon, who could end up as Cuba's future communist leader, terms unlikely "a return to the type of socialism represented by the Soviet Union."

Still, he doesn't offer the alternative of freedom, which is what the people of Cuba desperately need—and what America cannot impose. □

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IDEAS ON LIBERTY
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Plum Deal

by P. Gardner Goldsmith

At 78, my mother has decided to embark on a new career. She's going to become a plum grower.

She's not actually going to grow any plums, but she's going to be a "plum grower" nonetheless, and I really couldn't be more proud.

To display such entrepreneurial spirit at her age is truly admirable. Of course, it helps that the U.S. government recently announced a program essentially to pay plum growers to not grow plums.

It seems there is a glut of plums and prunes in the United States, and the secretary of agriculture is doing something about it. The Office of Management and Budget has authorized the Department of Agriculture to spend $17 million to buy the sweet fruit from beleaguered growers and pay them $8.50 for every plum tree they are willing to uproot. By destroying the trees, there will be fewer plums on the market, and the growers will see higher prices for their product. QED.

My mother plans to plant plum seeds, then offer to the government a deal whereby she will overturn the hazardous future trees, raze the soil, and promise to never grow plums again. Each potential tree could garner her $8.50, and, destroyed in high numbers, that could mean plenty of extra cash in her pocketbook. She might even hire an employee to not grow plums with her.

One of the nicest aspects of the program, other than its pronounced inclination toward deforestation and soil erosion, is that the federally purchased prunes will be offered to charities and schools, a policy that will no doubt contribute mightily to the atmosphere of learning and erudition our school systems already keenly foster. There can be nothing quite so edifying as being locked in a public classroom filled with children who've just gorged themselves on federally subsidized prunes.

The prune buyback program may seem a strange way to run an economy, more akin to Stalin's Soviet Union or Terry Gilliam's *Brazil*. But paying people to actually do the exact opposite of their chosen vocation is a tried and trusted mode of operation in the United States.

Since the venerated presidency of Franklin Delano Roosevelt, the U.S. government has spent roughly $596 billion on agricultural supports, 90 percent of which has gone to large-scale producers of five products: corn, rice, wheat, soy, and cotton—the "fabric of our lives." The harrowed family farmer typically portrayed in heart-wrenching news broadcasts as the beneficiary of our "goodwill" rarely sees this booty. In fact, according to Chris Edwards and Tad DeHaven of the Cato Institute, "In 1999, the largest 7 percent of farms received 45 percent of all government subsidy payments. By contrast,

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the 76 percent of farms that are categorized as small received just 14 percent of subsidies." Edwards and DeHaven also found that most farmers aren't even in need of the socialist pork. With average household incomes calculated at $64,347 in 1999, which is "17 percent higher than the $54,842 average for all the US non-farm households," farmers are far from the hay-chewing "land slaves" portrayed by propagandists such as John Steinbeck in *The Grapes of Wrath*. (See Chris Edwards and Tad DeHaven, "Farm Subsidies at Record Levels as Congress Considers New Farm Bill," Cato Institute Briefing Paper No. 70, October 18, 2001, p. 7.)

Most farmers on the dole don't even qualify for mention in one of Willie Nelson's noble yet increasingly tedious Farm Aid concerts. While Willie and his artistic cohorts diligently ply their craft to help save the anachronistic "family farm," politicians cozy up to agricultural lobbyists in Congress, manipulating a corrupt and unconstitutional system.

The interstate commerce clause of the Constitution was written as a way to prevent states from imposing tariffs on products from other states. The Founders intended it to act as a check on arbitrary state law that might harm trade between the states. However, since the days of FDR, it has been used as a pre-emptive tool, to control and manipulate any product going over state borders. It has given politicians license to shower ill-gotten plunder on anyone for any reason, as long as a majority in the Capital approves.

My mother grew up while FDR was in office, when this absurd tradition began. Perhaps it's only fitting that she latch onto this anti-economic, unconstitutional free ride that the Department of Agriculture is offering. It's the kind of socialistic elitism Roosevelt loved, the sort of New Deal thinking that has given Washington dominance over all that is left of the American free-enterprise system. She can now get paid to not produce plums. It's a shame Washington politicians also couldn't get paid to do absolutely nothing. We'd all be a lot better off. □

Economic Reality and Farm Problems

Consumers and taxpayers bear the major costs of government farm programs. Price support programs mean that consumers face higher prices of milk, sugar, peanuts, tobacco, oranges, and other products. . . .

The notion of individual rights, including the ability of people to engage in voluntary exchange, is central to questions concerning the appropriate role of government in agriculture (and in other sectors). In the decentralized market process, maximum scope is provided for individual choice. Only through this approach can the nation's agricultural resources be used most economically, serving the interests of farmers, consumers, and taxpayers alike. In agriculture, as in many other areas of economic activity, government might make its greatest contribution by attempting to do less.

—E.C. Pasour, Jr.

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Lafcadio Hearn

by Frank Laffitte

Nearly a century after his death, Lafcadio Hearn is widely unknown. *Kokoro: Hints and Echoes of Japanese Inner Life* (1896) is being republished this year, but much of Hearn's work is out of print, and it's hard to find Hearn on library shelves or in used bookstores. Yet Hearn had a singular vision, and was one of the few authors of his day who correctly assessed the threat to liberty posed by socialist and nationalist movements of the nineteenth century. He wrote the following passage in 1878 in an editorial titled, "Were There Communists in Antiquity?": "The efforts of communism had only a temporary success, and their ultimate result was the establishment of a despotism at once merciless and all-powerful. A violent outbreak of communism in this republic might lead to a change in government which would leave the riotous class everything to regret."[1]

This was not the opinion of a blithe booster of the Gilded Age. Hearn lived hand-to-mouth much of his life. He was born in the Ionian isles, raised in Dublin by a great aunt, and schooled in England and France until his family was impoverished. He came to America at 19 and found himself in such dire straits he slept in doorways or stables, in an abandoned boiler, and for a time in a box of paper shavings behind a print shop. Five-foot-three, hampered by debilitating shyness and near blindness (he had lost an eye in an accident at 16 and was so nearsighted he had to hold books six inches from his good eye), at age 19 he nevertheless made his way as a reporter in Cincinnati and New Orleans. He wrote his editorial on communism while living on a salary of $10 a week. Multilingual, astonishingly multicultural in his literary allusions, Hearn scandalized society with his freethinking heresies and his liaisons with women of mixed race.

In the late 1880s he spent two years in the Caribbean. In 1890 he moved to Japan, where he married into a samurai family, took a Japanese name (Yakumo Koizumi), taught English, and wrote about Japanese culture. Wherever he lived, he wrote poetic prose sketches of life there. He wrote about common people, their language, their folktales, their songs, their ghost stories, how they lived. The stories run the gamut from lurid murders to vivid character sketches and subtle insights about cultures. Besides these sketches he wrote novels, translations, and essays on literature, proverbs, names, insects, Buddhism, astronomy, Arabic culture, and Russian, French, and English literature.

Hearn was also an astute political philosopher. To the doctrinaire leftist, he was a reactionary. To the doctrinaire rightist, he was an iconoclast. In truth, he was nothing so simple. He was a cultured bohemian, a spiritual agnostic, an anti-industrial capitalist. Hearn never felt at home in bustling

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cities, and was appalled by slum conditions in the newly industrialized areas of America and Japan. Yet he remained an emphatic champion of liberty, and never bought into the solutions of the pseudo-progressive doctrines of his day. In an essay that borders on prescience, written shortly before his death in 1904, he warned of Japan's imminent slide into despotism. Noting that Japan had undergone in a generation a social revolution that took centuries in Europe, he foresaw disaster:

> Now the absence of individual freedom in modern Japan would certainly appear to be nothing less than a national danger. For those very habits of unquestioning obedience, and loyalty, and respect for authority, which made feudal society possible, are likely to render a true democratic régime impossible, and would tend to bring about a state of anarchy. Only races long accustomed to personal liberty—liberty to think about matters of ethics apart from matters of government—liberty to consider questions of right and wrong, justice and injustice, independently of political authority—are able to face without risk the peril now menacing Japan.[2]

Many of Hearn's politically minded contemporaries—among them Kipling, Shaw, H.G. Wells, Zola, John Dewey—have fared well in the popular memory, while Hearn has been nearly forgotten. That is a pity. Of all of them, Lafcadio Hearn may have been the farthest ahead of his time. □

Lafcadio Hearn

1. "Were There Communists in Antiquity?" editorial, *New Orleans Item*, August 23, 1878, quoted in Kazuo Hearn Koizumi, *Re-Echo* (Caldwell, Id.: Caxton Printers, Ltd., 1957).

2. "Industrial Danger," in Lafcadio Hearn, *Japan: An Attempt at Interpretation* (New York: Macmillan, 1904), excerpted in *The Selected Writings of Lafcadio Hearn*, ed. Henry Goodman (New York, Citadel Press, 1949).

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No More Subsidies for Higher Education

by George C. Leef

One of the most durable American shibboleths is that the more formal schooling young people get, the better off society will be. President Clinton, for example, proposed that we have a universal K-14 system, which would mean that the state would no longer be content with keeping children in school through high school, but that at least two years of college would be tacked on. Those two years would not have been mandatory—initially, at least—but of course taxpayer support for it would have been. His program did not pass, but then most of the expansions of governmental authority we now must endure didn't pass when they were first proposed either.

People who want more government subsidies for higher education are quite persistent in inventing rationales for them. In the March 13, 2002, *New York Times,* columnist Richard Rothstein wrote that "the goal of offering every child a good education won't be met unless lower-income high school graduates can afford college, and unless there is growth in state university systems that are now barely large enough to serve the middle class."

You might expect Rothstein to argue that we need this state university growth because our economic future will be darkened unless we find ways to get lots of those lower-income high school graduates into college classrooms. That's the usual argument. He acknowledges, however, that as a matter of economics, there seems to be no compelling reason to "grow the education system" (as Clinton might have put it). He states, "There may now be more demand for college graduates, but the data are not strong enough to justify a big expansion of higher education on economic grounds alone."

All right—what does justify it then? "It will have to be a matter of social justice, and this complicates the political prospects for increased university capacity and for financial aid," Rothstein continues. That's pretty much the default setting for socialistic advocacy. The government must expand in order to realize that great chimera "social justice."

F.A. Hayek pointed out in *The Mirage of Social Justice* (volume two of his trilogy, *Law, Legislation, and Liberty*) that we're dealing with a nonsense phrase here. Justice or the lack thereof is an attribute of *individual* action; "society" is an abstraction, not an individual with moral responsibilities. But my interest here is not in philosophical debate. Let's get back to education.

Note Rothstein's equation of "a good education" with college attendance. It is obvious to anyone who will look that many American children receive exceedingly poor educations in the 12 years they spend in government-run schools. Employers frequently complain that they find it hard to fill routine factory jobs because of the low verbal and math skills of most applicants. College professors

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In the past, a college degree was a reliable indicator of at least a reasonably good command of basic skills, but that is no longer so. Wanting to make themselves appealing to the increasing mass of students who disdain academic pursuits but want a college degree because it's supposed to be the ticket to high-paying employment, colleges have adjusted their expectations downward, often approaching the vanishing point.

frequently complain that students entering their classes are "disengaged," which is to say that they have little aptitude for or interest in the pursuit of "higher education." (I use the snicker quotes because much of what now goes on in colleges and universities is merely a futile attempt to catch up for 12 years of educational neglect and malpractice.) Still, it's an article of faith among the educationistas that a "good education" requires getting that college degree.

Unfortunately, for many students, college is four (or often more) years wasted, at considerable expense. The same employers who can't find competent high school graduates to fill job openings also complain that many of the college graduates they interview are hardly any better. They can't write coherent memos, do simple mathematical calculations, follow written instructions, and so on. In the past, a college degree was a reliable indicator of at least a reasonably good command of basic skills, but that is no longer so. Wanting to make themselves appealing to the increasing mass of students who disdain academic pursuits but want a college degree because it's supposed to be the ticket to high-paying employment, colleges have adjusted their expectations downward, often approaching the vanishing point.

In their 1999 book *Who's Not Working and Why,* Frederic Pryor and David Schaffer document the increasing phenomenon of college graduates who wind up working at "high school" jobs because of their low skill levels. Get a B.A., then work selling shoes or making lattes in the mall. The idea that we are doing some great service for youngsters, poor or otherwise, by subsidizing their way through to a meaningless bachelor's degree is laughably mistaken.

College Degree Required?

But isn't it true that ever more jobs require a college degree? Actually, no. U.S. Department of Labor forecasts show that the demand for labor in fields where college degrees are not necessary will remain strong—for example, construction work, truck driving, and retail clerks. But don't take the forecast of a government agency as the final word. Think about all the many kinds of people you come in contact with every day, and ask yourself, "Would it be impossible for them to do their jobs without having gotten a college degree?" You'll find that the answer is often, "obviously not."

Even where employers have established the B.A. as a minimum requirement for job applicants, that is rarely because the work demands it. The reason for the requirement is usually that it serves as a convenient screening mechanism, based on the assumption that since so few young people don't go to college now (about 70 percent enroll, but many drop out), anyone who is content with a mere high school diploma is probably incompetent. It's not the case that jobs are becoming so difficult that only people who have studied and mastered advanced concepts taught in college can do them. College isn't a "requirement" in that sense. It is merely a way some employers have chosen

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FEE TODAY

www.FEEnews.org July 2002

The Origin of the 21-Gun Salute

By Mark Skousen

The 21-gun salute is considered the highest expression of honor and respect, given to recognize the presence or the passing of a great military hero or political leader. What is the origin of the 21-gun salute? In ancient times, warships fired seven-gun salutes based on the lucky number seven. Seven is also an important biblical number—e.g., God rested on the seventh day.

In 1810, the War Department of the United States defined the "national salute" as equal to the number of states in the Union, at the time 17. This salute was fired by all U. S. military installations at 1:00 p.m. (later at noon) on Independence Day. Today 50 guns are fired when the President visits a military installation, or when a President or ex-President dies.

In 1842, the Presidential salute was formally established at 21 guns. Why 21? Some say it is a multiple of three based on another significant biblical number. At Independence Hall in Philadelphia, tour guides report that the 21-gun salute reflects the founding of our country. Independence was declared on July 4, 1776. If you add up the numbers 1 + 7 + 7 + 6, what do you get?

$$1 + 7 + 7 + 6 = ?$$

While at the FEE National Convention in Las Vegas, I was told that in the gambling world, "21" is a lucky number. Not only does it represent winning at blackjack, but also if you add the 1 and the 6 in 1776, you get 777, the lucky winning combination in slot machines. Finally, Bert Dohmen, a financial technical analyst, noted that "21" is a Fibonacci number, a number that is found often in nature (the numbers in a Fibonacci sequence are 1, 1, 2, 3, 5, 8, 13, 21, 34, 55, 89, 144, . . . , where you add the previous number to get the next Fibonacci number). Fibonacci numbers are used frequently by mathematicians and technical analysts on Wall Street.*

What Is the 1776 Club?

Fascinating as numerology is, what has this to do with FEE? The Spirit of 1776 is alive at FEE with the creation of the new 1776 Club. The purpose of the 1776 Club is to help deserving students learn the principles of free-market economics and the freedom philosophy in several ways: by attending seminars at FEE headquarters and other centers of liberty around the world; by attending on-campus lectures, regional seminars, and international conferences; and by taking

*If you are interested in knowing some of the unique features of Fibonacci numbers, see the delightful book *Mathematical Mysteries* by Calvin C. Clawson (Perseus Publishing, 1996, $18 paperback).

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21-Liberty Bell Salute

By Bert Dohmen, Founding Member of the FEE 1776 Club

As Mr. Dohmen stepped up to ring the FEE Liberty Bell 21 times at the FEE National Convention, he gave each toll of the bell a special meaning:

- One ring for the Foundation for Economic Education
- Two rings for all the defenders of freedom around the world
- Three rings for Bastiat's *The Law*, which describes the basis for a free society
- Four rings for free-market economics, and its champions: Adam Smith, Ludwig von Mises, F. A. Hayek, and Milton Friedman
- One ring for private property rights, the foundation of prosperity and liberty
- Two rings against the political bashers of free choice and accountability
- Three rings against those elected politicians who ignore our Constitution, and pass laws totally circumventing its provisions
- Two rings against asset-seizure laws, which allow governments at all levels to confiscate your private property, even your home, without due process of law
- Two rings for term limits for all elected politicians, so they can live under the laws they create
- One giant ring for all the supporters of FEE, who give their time and financial support to promote the ideals of free markets and limited government.

accredited Internet classes in sound economics. (We will soon announce a series of online courses with an accredited university.)

We chose the 1776 Club as the name of this new FEE program in honor of our Founding Fathers who declared economic, political, and religious independence, and thus created the freest, most prosperous nation in the world.

At the FEE Fest 2002 in Las Vegas in May, we encouraged attendees to donate any amount of money using the numbers "76" or "1776" in them, from 76 cents to $1,776. So far we have raised nearly $15,000 in the 1776 Club.

If you donate $1,776 or more, you become a Founding Member of the 1776 Club. Some of the first to become Founding Members are: Andrew Westhem, president of Westhem Grant Group of La Jolla, California; Mel Adams, president of Adams Bank in Nebraska; Bert Dohmen of Dohmen Capital Management of Hawaii; Conrad Denke, president of American Production Services of Hollywood, Cali-

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fornia. Several of our FEE trustees have also joined the 1776 Club: Bill Yeatts of Argentina, former chairman Don Taylor, and our new chairman, Ed Barr. Thank you!

What are the benefits of being a Founding Member of the 1776 Club? First, you receive a lifetime subscription to our monthly publication, *Ideas on Liberty*. Second, you receive a complimentary copy of Leonard E. Read's classic work *Government—An Ideal Concept*. And third, you receive special discounts for our annual FEE Fest and other FEE seminars throughout the year. Most importantly, you share in the joy of helping young people learn the principles of sound economics.

Throughout the month of July, we are planning to ring FEE's Liberty Bell in honor of all those who send in donations to the 1776 Club. If you send in a donation, we will ring the bell once. If you donate $1,776 or more, we will ring the Liberty Bell 21 times in your name as a way of showing our appreciation for your patriotism and support.

Update on FEE Events: Student Seminars

We have many great events scheduled for this year and next.

First, our student seminars are completely sold out for this summer, and we are planning more for the fall. In particular, we will be offering the FEE Course on Sound Money and Free Markets on Friday–Saturday, September 27–28, at the Reagan Ranch headquarters in Santa Barbara, California, co-sponsored by the Young America's Foundation. If you have students interested in attending this 2-day seminar, contact YAF, 1-877-797-7325.

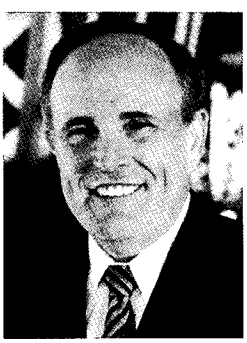
Dinesh D'Souza, our FEE spokesman on campus, and Greg Rehmke, director of student outreach, will be on the campus of the University of Utah and Brigham Young University in September, sponsored by the Sutherland Institute (go to www.sutherlandinstitute.org for details). The Sutherland Institute is also sponsoring my October 18–19 appearance in Utah.

An Evening to Remember: FEE Banquet and Benefit with Rudy Giuliani and John Stossel

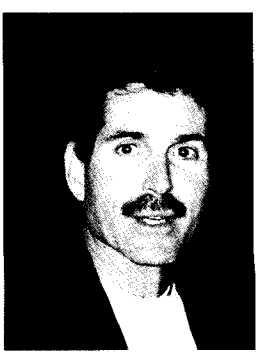
We are delighted to announce that the #1 speaker in America, former New York mayor Rudy Giuliani, will deliver our keynote address at the Liberty Banquet and FEE Benefit on Friday evening, October 25, at the New York Hilton Hotel. This is a special opportunity for FEE, because Mr. Giuliani is in heavy demand and declines almost all offers to speak. But he is excited to address FEE members. His topic is timely: "Leadership in Difficult Times."

We are also very pleased to announce that John Stossel of ABC News will be our special host. John is one of liberty's heroes and we are honored to have him hosting this big event.

I should also mention that the Liberty Banquet and FEE Benefit will be part of



Rudy Giuliani will be our keynote speaker



John Stossel is the special host for this unforgettable evening

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the New York Money Show, set for October 23–26 at the New York Hilton Hotel. Those who sign up for the Friday night affair will receive complimentary tickets to the New York Money Show.

There will be great demand for this unforgettable evening, so we urge you to sign up right away by calling Tami Holland at 1-888-565-8779, or Kathy Walsh here at FEE, 1-800-960-4FEE, ext. 209. You can also register online at www.FEE.org.

We wish to take advantage of this high-profile event and raise a lot of money for FEE. The cost? For Friends of FEE, the entire evening—including a private cocktail reception and preferred seating—is $250 (dinner only, $149). Please help us fulfill our goal of DOUBLING OUR EFFORTS IN 2002.

We are also offering special patron tables at this FEE Banquet and Benefit. Patron donors will be invited to attend a private reception and receiving-line photo opportunity with Rudy Giuliani and John Stossel. For more information, contact Tami Holland, 1-888-565-8779.

New York, New York! It's a wonderful town. Come join us.

Yours faithfully in liberty, AEIOU,

Mark Skousen

Mark Skousen
Mskousen@fee.org

Celebrating the Fourth With H.L. Mencken

My thanks to my friend Congressman Ron Paul for reminding me of Mencken's "translation" of the Declaration of Independence into what Mencken called "Standard American." It was clear to Mencken—even in the 1920s—that the "average American" no longer comprehended the language or the meaning of the Declaration. Enjoy the opening lines, and then go to www.bartleby.com/185/a1.html to savor every word.—MS

When things get so balled up that the people of a country have to cut loose from some other country, and go it on their own hook, without asking no permission from nobody, excepting maybe God Almighty, then they ought to let everybody know why they done it, so that everybody can see they are on the level, and not trying to put nothing over on nobody.

All we got to say on this proposition is this: first, you and me is as good as anybody else, and maybe a damn sight better; second, nobody ain't got no right to take away none of our rights; third, every man has got a right to live, to come and go as he pleases, and to have a good time however he likes, so long as he don't interfere with nobody else. That any goverment that don't give a man these rights ain't worth a damn; also, people ought to choose the kind of goverment they want themselves, and nobody else ought to have no say in the matter. That whenever any goverment don't do this, then the people have got a right to can it and put in one that will take care of their interests. . . .

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to quickly (and legally) filter out applicants they don't want to spend time reviewing.

Besides Rothstein's unwarranted adulation for college studies, there is another glaring problem with his call for more government higher-education spending. Let us suppose that postsecondary studies would be beneficial for some of those who cannot afford the cost of a college degree. *Why does that call for an expansion of government-run universities?* On the free market, students can find all kinds of certificate and degree programs that are privately run and financed. They can avail themselves of effective, low-cost, no-nonsense training for actual jobs that will begin to pay off in the short run. That is a lot better than a worthless B.A. in, say, "Hispanic Studies."

The University of Phoenix, for example, is a for-profit enterprise with more than 100 campuses throughout North America. Its courses are practical—fields such as accounting, information technology, and health care. The professors are experienced practitioners. Time is not wasted. Because the customers are paying for something they want, the university is careful to give them good value for their money. For those who cannot afford the tuition out-of-pocket, financing is available. Moreover, Phoenix has lots of competition from DeVry, Kaplan, and innumerable technical institutes. The number of such proprietary schools has grown rapidly in recent years. Good quality higher education is already widely available to students who are ready and eager for it without any government involvement.

We have government-run schools from kindergarten through grad school that, on the whole, work just as poorly as you'd expect any government enterprise to work. With their low standards, bureaucratization, and political orientation, they graduate students bursting with high self-esteem but lacking in fundamental skills. Nevertheless, boosters of government education like Rothstein want still more of it for the shrinking percentage of young people who can't or don't choose to go to college. His program will further burden taxpayers (why is it that the "social justice" mavens never mention the injustice of forcibly taking money from taxpayers to waste on things they have no interest in?). It will also do nothing to improve the life chances of those young people who might be talked into enrolling in one of our degree mills.

Not everyone should go to college. The free market, however, provides an abundance of educational opportunities that are both more serious and more affordable than the government's offerings for students who think more formal education will benefit them. □

The accumulation of property is no guarantee of the development of character, but the development of character, or of any other good whatever, is impossible without property.

—William Graham Sumner

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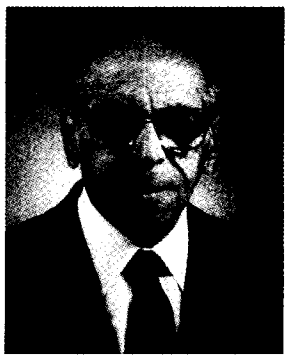
IDEAS ON LIBERTY
JULY 2002



Insanity and Intolerance

In the Age of Faith, the Church, viewed as having been established by Christ, was perceived as a perfect society. Hence, it was reasonable that it be empowered to make laws and inflict penalties for their violation, which were viewed as striking at her very life, the unity of belief. The result was the concept and crime of "heresy"—an offense that vanishes when religious tolerance replaces religious fundamentalism. "It does me no injury for my neighbor to say there are twenty gods, or no God," said Jefferson.

I say it does me no injury for my neighbor to say he is Napoleon or that God is talking to him. That is psychiatric heresy. Everyone knows that individuals who display such behavior are severely mentally ill, suffering from "delusions." True, such persons make assertions that we regard as untrue. But why should that be a reason for depriving them of liberty and "treating" them for diseases they claim they do not have?

Psychiatric intolerance is one of the pillars of the therapeutic state. Its trinity—psychiatric diagnosis, psychiatric treatment, and psychiatric incarceration—is a mask for justifying coercion as care. Rejecting psychiatric treatment and rejecting life—by attempting suicide—are psychiatric heresies, punishable by psychiatric incarceration and involuntary psychiatric treatment. Opposition to coercive psychiatric suicide prevention is reflexively dismissed as so lacking in compassion as to be unworthy of consideration.

The repentant Catholic heretic often embraced the faith more ardently than his persecutor, if for no other reason than to demonstrate his reliability and insure his own safety. The repentant psychiatric heretic does the same. Commenting on the Surgeon General's declaration of war on mental illness, Kay Redfield Jamison, professor of psychiatry at John Hopkins Medical School, declares: "As someone who studies, treats and suffers from a severe mental illness—manic depression—I commend the surgeon general for his excellent, thoughtful and fair report on mental illness." Not satisfied with embracing involuntary mental hospitalization and involuntary electric shock treatment for herself, Jamison advocates imposing psychiatric coercions on others, and asserts that "the distinction between voluntary and involuntary commitment is misleading and arbitrary."

Psychiatric slavery—that is, confining individuals in madhouses—began in the seventeenth century, grew in the eighteenth, and became an accepted social custom in the nineteenth century. Because the practice entails depriving law-abiding individuals of liberty, it requires moral and legal justification. The history of psychiatry, especially its relation to law, is largely the story of the mutating justifications for psychiatric incarceration. The metamorphosis of one criteri-

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on for commitment into another is typically called "psychiatric reform." It is nothing of the kind. The bottom line of the psychiatric balance sheet is fixed: Individuals deemed insane are stigmatized, incarcerated, and forcibly "treated." For more than 40 years I have maintained that psychiatric reforms are exercises in prettifying plantations. *Slavery cannot be reformed; it can only be abolished.*

Like the inquisitor, the contemporary psychiatrist has a hard time distinguishing between repudiating the Other's (false) ideas, which he calls "delusions," but tolerating him, and persecuting the Other to help him see the "truth," which he calls "treatment." In the zealot's eyes, tolerance of psychiatric heresy is tantamount to a declaration of war on psychiatry. Why? Because, unlike standard medical practice, which rests on cooperation, standard psychiatric practice rests on coercion. This is what makes opposition to psychiatric coercion seem to be the same as opposition to psychiatry in toto.

Tolerating Falsehood, Punishing Crime

Psychiatric slavery is the oldest and most characteristic feature of the therapeutic state, which, in turn, is the modern, secular incarnation of the theocratic state. Each is a species of political absolutism, one based on the pharmacratic rights of medical protectors, the other on the divine rights of royal protectors. Since its inception, the power and prestige of psychiatric slavery have steadily grown and the coercive psychiatric system is now an integral and respected part of every modern society. Why, then, do I oppose it? Because I believe that the coercive control of bad behavior ought to be a moral and political, not a medical or therapeutic, function; and that the state ought to punish only illegal behavior and ought to do so only by criminal sanctions. In short, I oppose psychiatric slavery because I believe it is inimical to individual liberty and responsibility, to the rule of law, and to the very existence of a free society.

However, most people see psychiatry not as enslavement to a destructive ideology, but as liberation from a dangerous illness. This is a recent development, due in large part to psychiatrists' wisely emphasizing diagnosis and prescribing medication—rather than relying on mass incarceration of deviants in madhouses—which makes them look like real doctors, who tend to be perceived as benevolent. Accordingly, most people accept the claims that psychiatry is a medical science and that psychiatric interventions are medical treatments for real diseases, and fail to see that the lot of psychiatric slaves is as miserable as ever.

Near-unanimous support for psychiatric slavery by public policy and public opinion deprives the critic of a forum for effective dissent, regardless of the absurdity of the psychiatric claim he criticizes. The medical patient has a right to reject treatment; the mental patient does not. This is how Stephen Rachlin, professor of psychiatry at Columbia University College of Physicians and Surgeons, justifies this limitation: "It is axiomatic in medicine that the patient is hardly in the best position to prescribe his own treatment." Rachlin equates the medical patient's right to reject treatment prescribed for him by a physician, with his "right" to dictate the treatment the physician should provide for him. This, of course, is patent nonsense and has nothing to do with the legal rule limiting physicians to treating only those persons who agree to their treatment. In medicine, involuntary treatment is assault and battery. In psychiatry, involuntary treatment is the basic model and is viewed as "beneficence." Rachlin's distortion enables him to say: "In my experience, the psychiatric inpatient refusing treatment does so for reasons related to his psychosis and thought disorder. . . . [I]f freedom is to be more than just another word, the right to refuse treatment is one right too many."

Chattel slavery was the original sin of the American ideal of individual liberty, a sin the nation has still been unable fully to expiate. Psychiatric slavery is its Achilles' heel, a fatal flaw that may yet transform the American dream into an American nightmare. □

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IDEAS ON LIBERTY
JULY 2002

Chairs, Hamburgers, and Persons

by John T. Wenders

Suppose you owned a furniture store, and someone asked you what you sold. You would probably say "furniture." Likewise, if someone invited you to lunch, you would go to a restaurant for something to eat. The use of such words as "furniture" and "lunch" is common, and these words serve a useful purpose in communicating.

Yet, at bottom, no one ever really buys (or sells) "furniture" or "lunch." What you actually buy is a chair, a sofa, or a table. And when you have lunch, you actually eat a bowl of soup, a Caesar salad, or a hamburger. "Furniture" and "lunch" are collective nouns; they are abstractions that exist only in the mind. The real things are the chairs, hamburgers, and so on.

No one can deny this. But many would say that such a distinction is a nitpick that doesn't amount to much in practical terms, since everyone implicitly knows what is going on when we use collective terms like furniture and lunch.

But sometimes the confusion makes a big difference, such as in the discussion of human interactions. There, almost without exception, thought and action are carried out in terms of groups of people without regard to the real individuals who make up those groups. While we all remember that chairs, tables, and the rest are meant when we use the term "furniture," we almost universally forget that individual people are the real things in "society."

This is collectivism. The insidious common element in all modern collectivist philosophies, whether socialist, communist, or fascist, is the mindset that places collective abstractions about human beings above the individuals who lie below. It is an organic view of society in which its elements, individual people, are lost.

Characterizations about society can only be known by the intellect, not the senses. Only individuals feel better or worse off—collective abstractions about individuals do not. You cannot add chairs and tables together and get anything meaningful. You can't eat lunch; you can only eat a hamburger. Likewise you cannot add people together and get anything real. In the abstract universe of the collective, individuals and their well-being are sacrificed and implicitly traded against one another in an endless game of redistribution to satisfy some collectivist view that exists only in the mind of the viewer.

As the French political philosopher Bertrand de Jouvenel observed some time ago, people are the reality and society is an artificial convention. In the nineteenth century, when the conception of society was transformed from a collection of people to a collective about and above people, there became no limit to the power of the state—anything could be justified in the name of the collective, which had a being superior to that of any individual.

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The "Market"

The concept of a "market" is just that: a concept. It is a collective noun. In the philosopher's language, "the market" is a universal, a conceptualism, a product of the mind that does not exist independently of its elements. The real, human elements of the "market" are individual voluntary exchanges and associations, each carried out by individuals acting in a mutually beneficial way. One cannot evaluate the concept of a "market"; one can only evaluate its elements—voluntary exchanges. And since voluntary exchanges, and more broadly, voluntary associations, leave humans better off, "markets" must be beneficial to humans, contrary to the conclusions of modern liberals. As philosopher J. C. Lester points out, other than charity, the only alternatives to voluntary exchanges and associations are coercion, theft, robbery, fraud, extortion, and so on. On the personal level the only alternatives are assault, rape, slavery, and murder. To the extent that one objects to the "market," as many do, then one is advocating these very illiberal alternatives, usually under some statist euphemism like taxation, conscription, regulation, egalitarianism, the public interest, and so on. From before Marx down through Rawls, modern liberalism, communitarianism, or whatever collectivist abstraction happens to be in vogue, is a retreat into holism where human beings are lost.

"Globalization" is just another of those holistic slogans. Like all abstractions, it is difficult to define exactly what it means—what its real elements are—but it seems to be concerned with trade, especially international trade.

To talk intelligently about globalization, you have to reduce the concept to its real elements. Just as the idea of a "market" is a holistic concept, so is the idea of "international trade," and they are the same thing. Nations (or cultures) don't trade. People do. Nations trade only in the minds of those who collectivize and aggregate the individual elements of trade—the voluntary exchanges that occur between people who live in different countries. There is no real, elemental difference between international trade and any other kind of trade: both are voluntary exchanges between individuals and/or voluntary associations of individuals (like corporations), and the only difference is that one takes place between people in different countries.

One of the consequences of thinking about international trade in globalized terms is that one may conclude it is bad. While it is difficult to argue that voluntary human associations, like exchanges, are bad, once these are collectivized into terms like "international trade" or "globalization," that argument is easier for shallow thinkers to swallow. Exactly why it is bad is usually left to the imagination, and human beings, especially so-called intellectuals, have fertile imaginations.

To conclude that international trade is bad you must believe that its real elements, voluntary exchanges, are bad—exchanges made by individuals who believe they will be better off trading than not trading. If you argue that voluntary exchanges are bad it must be because you believe that you know other people's preferences better than they do—an elitist concept that when implemented leads to all kinds of authoritarian, coercive, nonmarket behavior.

One of the more ludicrous, and illogical, popular notions about globalization is that trade impoverishes. This, of course, is a conflict in terms: trade, by definition, is voluntary; if it is voluntary, it must be mutually beneficial; if it is mutually beneficial, it cannot be impoverishing, unless you live in some weird masochistic world where people choose to make themselves worse off.

The sad thing is that the logical mistakes of communism, socialism, and fascism don't end there. All modern societies have become collectivist in their outlook. The result is the endless growth of collectivism's hegemony in the form of statism. There, a higher and higher proportion of human output and action is allocated and regulated by state coercion rather than voluntary human interaction. □

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JULY 2002

Nickel and Damned: Barbara Ehrenreich's View of America

by Larry Schweikart

When Barbara Ehrenreich's book *Nickel and Dimed: On (Not) Getting By in America* came out last year, I knew it would be the perfect foil to another book I used in my classes, *The Millionaire Next Door*, by Thomas Stanley and William Danko (1996). Don't ever say that academics don't have a sense of humor.

At any rate, Ehrenreich must be given credit for at least entering the world of minimum-wage work, rather than sitting in her comfortable study or pontificating from a lofty perch at a think tank. The woman did get her hands dirty, quite literally. At times, a little less dirt and a little more scholarship might have been useful.

Ehrenreich conducted a live experiment in which she worked at minimum-wage jobs, living, as best she could, in whatever circumstances those wages would afford. She worked in Florida as a waitress at a greasy spoon, sometimes for $2.43 an hour, plus tips. Soon, she augmented her job with other work, such as housekeeping. Having satisfied herself with that part of her experiment, she moved on to Maine, where she toiled as a maid, and finally completed her research with a stint in Minnesota at Wal-Mart. She concluded that if she could have maintained her two-job regimen, and if she had no dire or sudden illnesses, she could have just barely gotten by. Despite her occasional genuinely funny quips—her exposition on feces, as a maid, is something to behold—her overall message is incredibly depressing and drenched in hopelessness. If her assessment is accurate, it is impossible to get by in America in low-level jobs. That's *if*.

Fortunately for many Americans—and for virtually all people who find themselves in these jobs—Ehrenreich's analysis has fatal flaws. Since it is certain this book will become the basis for many other "can't-get-by" studies that pass for policy analysis, it is worth analyzing her weaknesses in some detail.

First and foremost, Ehrenreich *pretended* to be a minimum-wage worker. She *acted* in a role for a few months. Critics might see this as supporting her position, but I think it blows up the entire foundation. The purpose of work is not to get by, but to get ahead. This is a critical distinction: how Ehrenreich looks at her work and life, and the reality of the situation. Most people, no matter what the job of the moment, see it as a way to get ahead later. Yet Ehrenreich did not even try to move up. She lied about her

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education and credentials at the outset so as to not prejudice the employers, either favorably (by giving her higher-paying positions) or negatively ("What's wrong with you that you can't find a gig with all your education?"). She apparently doesn't see this as a slap in the face for all those "proletarians" with whom she identifies who struggle to *get that GED*, or to get a college education at night.

Not only did she not try to advance, but she never sought out others who had. We learn about the private, sometimes tragic, lives of many of her co-workers, but never find anyone who made it into management, who left for greener pastures, or who even made it to the top of the low-level wage ladder. Quite the contrary, none of her managers are appealing: they are all greedy, petty, stupid, egotistical, and uncaring.

Since Ehrenreich's story involves personal experience as fact, my own background must be equally valid, if dated. When I turned 15, I got a minimum-wage job at Der Weinerschnitzel—the hotdog version of McDonald's. Almost instantly the manager (who was, as best I could tell, neither stupid or uncaring) was willing to make me an assistant manager. It had something to do with being able to remember to turn the sign off before I went home. Soon, I left the "dog house" for a better job, as a carryout boy at a local (and locally owned) grocery store. At the time I saw that as my big break: I started at $3.35 an hour, plus overtime, plus double time on holidays. Several women worked as cashiers there and had been there for years. Word got out that they earned more than $10 an hour! Again, while the managers did not baby us—they expected hard work and good habits, as well as a smile—we were well treated, and, for the day, well paid. It was an interracial staff, both among the carryout boys and the management. But no one there, unless someone was aiming at a managerial position, planned to stay at the grocery store his entire life. It was, as most minimum-wage jobs are, an entry-level position designed to train people in basic skills (working a cash register, counting change, stocking, taking inventory, ordering, and above all, being polite and energetic).

Wouldn't Go Hungry

There was a flip side to Ehrenreich's self-imposed limits: "I had no intention of going hungry." Harsh as it may be, though, there is a powerful incentive when one goes hungry. It was exactly that kind of incentive, both in positive terms of advancing and in negative terms of utter failure, that rendered her experiment unrealistic.

If Ehrenreich missed this important (fundamental?) element to the world of minimum-wage work, or any work for that matter, what else did she miss? Plenty.

One is struck by the utter absence of marriage in this book. Most of Ehrenreich's sob-story examples are women who are single with children or are "living together." This is not a minor point. Charles Murray and others have demonstrated irrefutably that the single most important factor correlated with increasing wealth is marriage. Yet the author scarcely mentions marriage, as if it had no bearing on how some of her co-workers got where they were. One sees the subtle implications of this in her apparently unwitting choice of data from the Bureau of Labor Statistics which show that private household workers earn $23 a week less than the poverty level "for a family of three." A family of three is either a married couple with one child or a single-parent (usually a woman) with two kids. If the latter, this statistic almost by itself suggests that if there were two wage-earners, they would make well above the poverty level. In other words, the controlling factor is marriage, not wages.

Another thing is absent in the book: accumulated wealth. Everyone has something. Usually it's a house and "stuff," but most people, even poor people, have cars, televisions, VCRs, jewelry, or other items that constitute wealth. For Ehrenreich's experiment to "succeed" (for her to "not get by"), she had to *begin* with no wealth. She excludes a car from her equation and has no house, no tangibles, nothing to sell.

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Ehrenreich's job choices, even within her narrow selections, were rigged to ensure the answer she wanted. She never took higher-paying jobs.

Thus she began her experiment at a lower point than most of her subjects, many of whom at least owned cars and trailers (while Ehrenreich was renting transportation and living space at high weekly rates). Moreover, age is key to accumulating wealth: a 30-year-old has more stuff than a 20-year-old; a 50-year-old more than a 30-year-old; and so on. Part of "moving up" entails acquisition of things that you no longer have to purchase on a daily, or weekly, basis.

Ehrenreich's job choices, even within her narrow selections, were rigged to ensure the answer she wanted. She never took higher-paying jobs. Waiting tables can be low-paying, but it can also be quite lucrative. Waitresses at good restaurants and bars can pull in $100 a night, and in more upscale areas many times that. She might counter that she was too old or not good-looking enough for such gigs, but the elderly and, shall we say, "seasoned" ladies who occasionally wait on me at the pancake house or in some of the nicer restaurants are not Hollywood starlets. While it is true that Hooters has its own "look" when it comes to servers, most other establishments have no problem hiring older men or women, as long as they are clean and dependable.

In some places, often when producing statistics that either are extremely controversial or barely believable ("30 percent of the workforce toils for $8 or less"), Ehrenreich relies on studies from predictably "liberal" think tanks. There is nothing wrong with that, if you also cite the other, conflicting evidence. How permanent are workers in this 30 percent? Not very, if most minimum-wage jobs are any indicator. Likewise, she claims that in "a survey conducted by the U.S. Conference of Mayors, 67 percent of the adults requesting emergency food aid are people with jobs." But her notes don't refer to any such study, only a *Detroit News* secondhand referral, which may, or may not, have gotten the details right. Again, though, the impression Ehrenreich gives is one of a massive subculture of minimum-wage peons, rather than the more accurate image of an escalator, in which some at the bottom rise all the way to the top, some get off on the second floor, and so on.

Where Are the Taxes?

While Ehrenreich spends many of her 200 pages detailing how she scrimped, cut corners, or otherwise tried to squeeze blood out of a Ding Dong, there is scarcely a word about taxes. The omission is staggering, especially considering her obsession, at times, with earning the additional 30 cents that one job offered over another. Consider this: Uncle Sam takes 10–25 percent of any worker's paycheck, right off the top, under "withholding." Gone. History. Vanished. In my state of Ohio, the government in Columbus takes another cut, around 6 percent. Dayton, where I work, and Springboro, where I live, also want their "take," slicing off yet another half a percent. And there is unemployment paid to the state—again, all coming right off the top. Then there is the Social Security and Medicare "contribution."

For middle-class employees these deductions are painful. But for low-income people they are nearly fatal. Most of Ehrenreich's co-workers would have had *double* the pay if not for the government's secular tithe. Maybe we can't get by without taxes, but let's assume, for a moment, that the federal tax rate was 15 percent. That would have saved most of Ehrenreich's colleagues up to

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73 cents per hour (at $7.25). And how about if we assume that there is no state tax, as in New Hampshire? That would add another 43 cents per hour. Social Security is a true luxury to people who need bigger paychecks now: would it not be wiser to let them keep their money at the front end? And unemployment? How many minimum-wage workers do you know who draw unemployment? Let's say that these "forced contributions" account for another 20 cents per hour. Merely by omitting these onerous taxes and other "contributions," we could give a hypothetical $7.25 per-hour employee a raise of up to $1.36, making the job $8.61. Spread over a 45-hour week (we'll assume a hard worker wants a little overtime), that could be an extra *$61.20 per week*, or an incredible *$244.80 per month*. This alone would have paid half the rent on a good apartment, not the sleazy motels that Ehrenreich had to frequent.

More taxes? Try this: the FICA "contribution" is paid half at the front end by the employee, but also half at the back end by the employee, even though the employer supposedly pays it. It is still the employee's money, but diverted from wages. Moreover, Ehrenreich disparages benefits and other "perks" as being preferred by employers because they are easier to take away in a crunch. She completely misses the obvious: to a point (I realize you cannot eat benefits), it is much more valuable to take a benefit than an extra dollar in salary. Consider health insurance. Employers can give an employee a dollar in benefits, a dollar that the employee could have used to purchase his own health care. But the benefit is pretax income; a dollar in benefits equals a dollar. After taxes, the dollar would be worth only about 65 cents to the employee.

There are even more tax issues that Ehrenreich carefully avoids when doing her survival assessments. If there is a tax incentive for home ownership, there is a corollary tax penalty for renting. There is a double tax penalty for renting motel rooms, which Ehrenreich had to rent until she could get an apartment, because most states tax them. What is troubling is that on multiple levels, and repeatedly, Ehrenreich refuses to even acknowledge, let alone consider, the impact of taxation on even the lowest-paid Americans because, apparently, it doesn't fit her mold.

Ehrenreich's proposals are predictable: a higher minimum wage, more welfare, more unionization. She admits that "nobody bothers to pull all these stories together" to proclaim a widespread state of emergency. That is precisely the point: these are disparate, isolated, and usually temporary stories, and when economists have "pulled them all together," they have not found anything near the minimum-wage hell to which Ehrenreich's denizens are damned. She wants to blame a "conspiracy of silence" for misrepresenting the "failure" of welfare reform, but the fact is that welfare reform, and minimum-wage work, have been studied extensively. Both the statistics, and the human success stories, reveal a different—and better—reality than the one Barbara Ehrenreich visited briefly in her search for "evidence." □

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IDEAS ON LIBERTY
JULY 2002

Leviathan: America's Secret Challenge

by William H. Peterson

How helpful of physicist S. Fred Singer, head of the Washington area-based Science and Environmental Policy Project, to restore the idea of "hormesis." Hormesis is the principle that things beneficial to life in low doses can be fatal in high doses.

Singer mentions such things as alcohol, sunshine, iodine, sodium, iron, copper, cholesterol, and nuclear radiation (as involved in low-dose X-rays). Excessive food can kill: obesity can lead to a heart attack. The same could be said of excessive exercise. Singer similarly sees bacteria as a possibly constructive agent since a totally sterile environment could cause an unchallenged healthy immune system to deteriorate.

Well, this raises quite a question: Is not government itself hormetic?

Wasn't Thomas Paine onto something in his *Common Sense* (1776) in seeing government as "a necessary evil"? Cannot excessive government be fatal to human life? Indeed. Recall the fatal regimes of Germany under Hitler, the Soviet Union under Stalin, and China under Mao in the twentieth century.

Thus America, apart from the entire West, faces a rather silent if potentially deadly challenge: Can it reverse direction from its march to a broadening "public" (read coercive) sector ever away from a shrinking private (read voluntary) sector and thereby stop courting a hormetic ending?

Look, Peterson, say my critics: Stop playing Cassandra. Go outside and enjoy the summer. Didn't we all enjoy the 2002 Winter Olympics out of Salt Lake City? I respond with some lines from Alexander Pope:

> Vice is a monster of so frightful mien,
> As to be hated needs but to be seen;
> But seen too oft, familiar with her face,
> We first endure, then pity, then embrace.

Look. Did not the Founding Fathers, themselves close students of history, wrestle with hormetics so as to better guide us today? Hence did they not set down such things as checks and balances in government so as to limit its powers (as specified and enumerated in Article 1, Section 8, in the U.S. Constitution); provide a written constitution; a bicameral legislature; a tripartite central government of legislative, executive, and judicial branches; shared power with the states; and the Bill of Rights' Ninth and Tenth Amendments, leaving no doubt of their limited-government aims, per:

> The enumeration in the Constitution, of certain rights, shall not be construed to deny or disparage others retained by the people.
>
> The powers not delegated to the United States by the Constitution, nor prohibited by it to the States, are reserved to the States respectively, or to the people.

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So the strangely silent challenge for America in 2002 and beyond is, I submit, to reverse course and get back to the limited-government philosophy of the Declaration of Independence of 1776, the Constitution of 1787, and the Bill of Rights of 1791. Recall the ringing libertarian language of Thomas Jefferson in the Declaration: "We hold these truths to be self-evident; that all men are created equal; that they are endowed by their Creator with certain unalienable rights; that among these are life, liberty, and the pursuit of happiness; that to secure these rights, governments are instituted among men, deriving their just powers from the consent of the governed. . . ."

The rub with consent today is its relative absence. Did you consent to be enrolled in Social Security as Congress decreed in 1935? And what of the cited Ninth and Tenth Amendments? Hasn't their impact been critically cut over time—unable to hold back a progressively "liberal" U.S. Supreme Court and its loose constitutional interpretations, especially after Franklin Roosevelt threatened to pack the Court in 1937? The threat worked. It led to reversals of stands by ex-diehard constitutionalist justices on such matters as the meaning of the "general welfare" clause in Article 1, Section 8. And so did the Court come to embrace the New Deal and the welfare state.

Today the irony is that the Constitution is said to be "living," which may well mean that it is in fact dying.

Drop Leviathan

Peterson, you would reverse national direction? And how!

So, Americans all, drop Leviathan, embrace and practice liberty (a word bandied about but ill understood). Recall how Robert Higgs proved in his ace study, *Crisis and Leviathan* (1987), that the size and power of central government invariably grew, net, with each passing national crisis, in particular with the Civil War, World Wars I and II, the Great Depression, the Cold War, and the Great Society-Vietnam War, which set forth such programs as, says Higgs, "Medicare, Medicaid, environmental and occupational safety regulations, consumer-protection and anti-discrimination laws, and the political forces to sustain all these programs."

Now, presumably and sadly, comes the War on Terrorism with perhaps similar import and dosage.

Think how the prospects for reversing national direction are weakened by the War on Terrorism. Ponder if it is a winnable war or something of an open-ended impossibility. You cannot declare a war on terrorism. It's like declaring a war on murder, says Roy Licklider, a political scientist at Rutgers University, as reported by Fox News Online (December 31, 2001). The war sounds Kafkaesque: Perpetual War for Perpetual Peace, or is it perchance Perpetual War for Perpetual Re-election? Or as Jacob Hornberger, head of the Future of Freedom Foundation, noted in his *Freedom Daily* in December 2001: It's a general, undefined, perpetual war on terrorism that now constitutes the biggest obstacle to the achievement of a free society.

And that was before President Bush's 2002 State of the Union Address in which he nailed North Korea, Iran, and Iraq as the "axis of evil," a phrase his critics in America, Asia, and western Europe tag with such epithets as "simplistic," "unilateralist," and "provocative."

Prophetic Orwell

Consider the juxtaposition of direction reversal and perpetual war—an idea that smacks of George Orwell's 1984 and the motto of the Ministry of Truth, "War Is Peace." The motto sounds less far-fetched in 2002.

Item: The *New York Times* lead story of February 19, 2002, charged that the Pentagon planned to broaden the scope of its recently created Office of Strategic Influence to "send [spin?] news or maybe false news [read disinformation] to even friendly lands," a charge denied by Defense Secretary Donald Rumsfeld, yet a charge that confronts much history in which the first casualty of war is

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the truth. (Rumsfeld was forced to scrap the Office in the heat of the bad publicity.)

Certainly, reversal of national direction is harder when fazed House Republicans, sans guidance or leadership from a seemingly war-preoccupied White House, joined their Democrat counterparts to pass last February the flawed Shays-Meehan bill. The bill further violates the First Amendment while further securing member incumbency. Similar confusion or miscalculation was seen in GOP and Democrat versions of Keynesian-oriented "stimulus" bills designed to spur a lagging economy.

For America to reverse direction, then, is most challenging. The revolution was. The center cannot hold. So what, say many Americans who embrace—and vote for—the welfare state? Thus is America cursed by what Milton Friedman calls "the tyranny of the status quo." So the center has shifted—and continues to shift—toward statism.

The national silence, including academe and the media, on this ongoing shift is deafening. Consider. The State is hormetic, and its current dosage, already high with the federal budget alone at more than $2 trillion, grows still and accelerates more with an open-ended War on Terrorism—growth hardly benign but, frankly, dangerous. Stay tuned.

Even so, the challenge to America is to work to win back the future as the Founders saw it, to roll back the size and power of government, to reinvigorate individual rights, private property rights, and the rule of law, all while preserving security, all while reclaiming the American Dream. A tall order, I agree, but please tell me if there is any other workable answer. □

After having . . . successively taken each member of the community in its powerful grasp and fashioned him at will, the supreme power then extends its arm over the whole community. It covers the surface of society with a network of small complicated rules, minute and uniform, through which the most original minds and the most energetic characters cannot penetrate, to rise above the crowd. The will of man is not shattered, but softened, bent, and guided; men are seldom forced by it to act, but they are constantly restrained from acting. Such a power does not destroy, but it prevents existence; it does not tyrannize, but it compresses, enervates, extinguishes, and stupefies a people, till each nation is reduced to nothing better than a flock of timid and industrious animals, of which the government is the shepherd.

—ALEXIS DE TOCQUEVILLE, *Democracy in America*

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IDEAS ON LIBERTY
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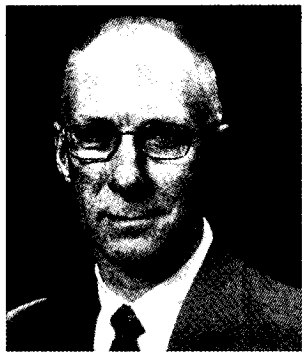
Economic History



The Rise of the West

Throughout almost the entire span of human history, material privation and chronic insecurity were the norm. Not even those at the peaks of social status and political power could enjoy the creature comforts and consumer delights that "poor" people take for granted in the West today. At times, certain populations fared somewhat better—in ancient Greece and Rome, perhaps, and in China during the Sung Dynasty (960–1279)—but those cases were exceptional.

As late as the fourteenth century, the Chinese probably enjoyed the highest level of living of any large population. Recall the amazement with which Europeans greeted Marco Polo's account of China in the latter part of the thirteenth century, even though, as Polo declared on his deathbed, he had not described the half of what he had seen.[1]

As the Middle Ages waned the Europeans began to make quicker economic progress, while the Chinese lapsed into economic stagnation. Even more remarkable, the economic energy of Europe began to shift away from the great commercial centers of northern Italy and toward the periphery of civilization in northwestern Europe. The barbarians, it seemed, had somehow stumbled onto the secret of economic progress. Henceforth, despite many setbacks, the western Europeans—and later their colonial cousins in North America as well—steadily pulled ahead of the human pack. By the eighteenth century they had far surpassed the Chinese, not to speak of the world's more backward peoples, and until the late twentieth century the gap continued to widen.

How did the West succeed in generating sustained economic progress? Historians and social scientists have offered various hypotheses, and so far no single explanation has gained general acceptance. Nevertheless, certain elements of an answer have received wide agreement. The growing individualism of Western culture, rooted in Christian doctrine, seems to have contributed significantly.[2] In addition, the political fragmentation of the European peoples in the high Middle Ages and the early modern period—a political pluralism with hundreds of separate jurisdictions—fostered the institutional and technological experimentation by which entrepreneurs could discover how to make labor and capital more productive.

Fundamental to that sustained dynamism was the gradually improving status of private property rights. So long as people cannot count on a reasonable prospect of reaping the fruits of their efforts and investments, they have little or no incentive to work hard or to accumulate physical, human, and intellectual capital. And without such accumulation, no ongoing economic progress is possible. More reliable private property rights did not just drop from heaven, however. For the most part, the merchants acquired the protection of such rights by paying off the robber barons and aspiring kings who constituted the fragmented ruling stratum of western Europe.

Robert Higgs is the editor of The Independent Review *and author of* Crisis and Leviathan.

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In the extreme, the merchants established political independence in city states where they could exercise complete control over the legal institutions that undergirded their economic activities. "The fact that European civilization has passed through a city-state phase is," according to Sir John Hicks, "the principal key to the divergence between the history of Europe and the history of Asia."[3] In the latter medieval era, Venice, Genoa, Pisa, and Florence led the way. Later, Bruges, Antwerp, Amsterdam, and London took the lead. A town's own militia stood ready to defend it against threats to its politico-economic autonomy.

To facilitate their business, the merchants developed their own legal system. Intended to provide quick, cheap, and fair resolution of commercial disputes, this *lex mercatoria* established institutions and precedents that have survived to the present, and it now finds expression in a vast system of alternative (non-state) dispute resolution in arbitration proceedings.[4] In some countries, the merchants and manufacturers ultimately used their political influence to embed their customary legal institutions in state-enforced law. Because of Europe's political fragmentation, governments that made life too difficult for the traders tended to lose merchants and their business—and hence a tax base—to competing jurisdictions, and the prospect of such losses motivated rulers to curb their predation and to allow businessmen room to maneuver.[5]

In contrast to the merchants of Europe (and later the United States), who could play one government against another in a quest for secure private property rights, the businessmen of China suffered an inescapable clampdown by their all-embracing imperial government. "By 1500 the Government had made it a capital offense to build a boat with more than two masts, and in 1525 the Government ordered the destruction of all oceangoing ships." Thus, China, whose foreign commerce had been vast and far-reaching for centuries, "set a course for itself that would lead to poverty, defeat and decline."[6] Among many other adverse actions, the Mandarin-dominated government "stopped the development of clocks and water-driven industrial machinery throughout China."[7] In the Islamic world, too, an imperial government quashed economic progress by failing to protect private property rights and by imposing arbitrary rules and taxes.[8]

In the twentieth century, the Soviet empire likewise embraced the policy of imposing *one big bad idea*—central economic planning—that completely suppressed the economic freedom necessary for sustained economic progress. Unfortunately, the Chinese communists, eastern Europeans, and many of the postcolonial governments of the Third World followed the USSR down that road to economic ruin.

Nowadays, at long last, it seems that almost everyone has come to understand the nexus of economic freedom and economic growth and to appreciate the vital importance of private property rights. Yet, everywhere, governments continue to grant privilege seekers countless choke holds on the economy. As history confirms, private property rights require constant defense, lest the precondition of all economic progress be undermined and destroyed. □

1. John Hubbard, "Marco Polo's Asia," at www.tk421.net/essay/polo.shtml.

2. Deepak Lal, *Unintended Consequences: The Impact of Factor Endowments, Culture, and Politics on Long-Run Economic Performance* (Cambridge, Mass.: MIT Press, 1998), pp. 75–97; Michael Novak, "How Christianity Created Capitalism," *Wall Street Journal*, December 23, 1999.

3. John Hicks, *A Theory of Economic History* (London: Oxford University Press, 1969), p. 38.

4. See, for example, International Chamber of Commerce, "International Court of Arbitration: International Dispute Resolution Services," at www.iccwbo.org/court/english/intro_court/introduction.asp.

5. Nathan Rosenberg and L. E. Birdzell, Jr., *How the West Grew Rich: The Economic Transformation of the Industrial World* (New York: Basic Books, 1986), pp. 114–15, 121–23, 136–39.

6. Nicholas D. Kristof, "1492: The Prequel," *New York Times Magazine*, June 6, 1999, p. 85.

7. Jared Diamond, "The Ideal Form of Organization," *Wall Street Journal*, December 12, 2000.

8. Lal, pp. 49–67.

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IDEAS ON LIBERTY
JULY 2002

Chicken or Egg: Rights and Government

by Tibor R. Machan

A theme of prominent contemporary political thinking is that our rights are gifts from government. Famous academics such as Stephen Holmes and Cass R. Sunstein have argued as much in their book, *The Cost of Rights* (W. W. Norton, 1999). As they put it, "individual rights and freedoms depend fundamentally on vigorous state action" (p. 14) and "Statelessness means rightlessness" (p. 19).

This is just the opposite of what the American Founders thought. In the Declaration of Independence they stated, albeit succinctly, that as human beings, we come into the world endowed with rights. These rights are unalienable, and government is instituted to secure them. Clearly, this implies the rights come before the government.

But perhaps Holmes and Sunstein are right and the American Founders had it backwards. What can we say in just a few words to support the Founders' idea? Without rehashing John Locke's and his followers' defense of rights, there are some simple matters indicating that Holmes and Sunstein have it wrong.

Imagine an adult stranded in the wild where there is no law, no police, no courts, nothing. Another person encounters him, attacks him, and threatens to take everything he has made to survive. Clearly, the person under attack would be right to defend himself. And if he were challenged afterwards to justify his resistance, he could well say, "This man did not respect my rights as a human being. I had to resist him physically so he couldn't succeed in his threats." Or something along these lines.

Yet if our rights depended on government's granting them to us, such a line of argument wouldn't hold up. The attackers might say, "Since government is the source of our rights, and there is no government out here in the wilds, you have no rights. Not to your life, not to your liberty, not to your property, and certainly not to self-defense. At least not until a government is established and grants you these rights."

Surely this would be absurd. Yet that is just what would follow if the Holmes and Sunstein analysis of individual rights were sound. No one would have any justification in resisting attackers unless some government issued rights first. But in the real world, people need a set of principles to guide them when they are threatened with violence. These principles may not be expressed entirely in the familiar terms of individual rights, but that is what they would amount to.

Of course, this does not end the debate. There are pacifists who will object, as well as communitarians and many others who reject the very idea that individuals are sovereign beings not subject without consent to the will of others. That's one reason there is a large literature of political philosophy.

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We don't all have the luxury of embarking on a scholarly review of this literature. But it looks as though the case for our having rights before government codifies them (thus making it *appear* to some as though government grants them) is stronger than its opposite. The simple notion of self-defense, which makes plain enough sense to any rational person, demonstrates that individual rights precede law and government. □

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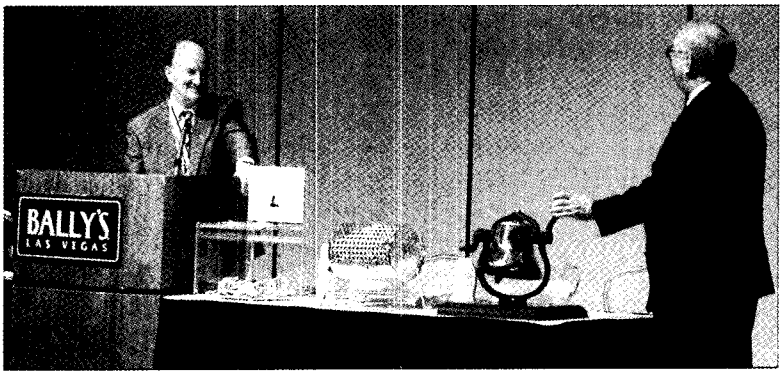

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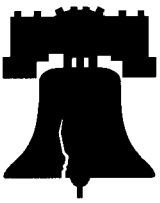

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CAPITAL LETTERS

What Is "Mental Illness"?

To the Editor:

[The March column opposing insurance parity for psychiatric treatment by] Thomas Szasz . . . shocked and disappointed me. . . . Any close relative (myself included) of a person who was formerly seriously mentally ill—with all the unwanted auditory and visual cacophony—and was returned to normal rational thought (after years of "talk therapy") in a short time by one of the newer "atypical" antipsychotic products would be hard-put to be persuaded that there was no cause and effect relationship in the brain between disease and treatment.

I am a retired physician, though *not* a psychiatrist, but have practiced in other fields long enough to recognize pathological abnormality when I see it. I would submit that the same relationship is also seen by the majority of practicing psychiatrists in this day and age. . . .

It should be pointed out that many illnesses have been around for years before the cause and treatment—through research—have been uncovered. . . . To claim that mental illnesses were factitious constructs of some psychiatrist's desires for greater incomes (as some opponents of medical management declare) is . . . specious. . . .

The brain in a living human being does not lend itself to easy exploration and experimentation for obvious reasons. The newer technologies such as MRI and PET scans and perhaps spectrographic analysis of chemical neurotransmitters in the brain however are making great strides and hold great promise in not only clarifying etiological aspects of brain disease but also in refining methods of treatment.

—Alan B. Fidler, M.D.
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East Troy, Wisc.

Thomas Szasz replies:

I do not doubt that many persons, whether diagnosed as mentally ill or not, suffer and make others suffer, or that taking drugs can change a person's behavior. Anyone who has taken a drink knows that. However, with due respect to Dr. Fidler's medical skills, I disagree with his statement: "[I] have practiced . . . long enough to recognize pathological abnormality when I see it."

As a physician, Dr. Fidler must know that there are no objective diagnostic tests to confirm or disconfirm the diagnosis of any mental illness. The diagnosis of the illness, as well as recovery from it, rests solely on the patient's self-report or the reports of others about him.

Furthermore, if an objective blood or other biological test were developed to ascertain the presence or absence of a "mental illness"—such as there is, for example, for malaria and melanoma—then the condition diagnosed would cease to be a mental illness and would be classified, instead, as a bodily (infectious, neoplastic, neurological) disease. In which case the patient could no longer be incarcerated and treated against his will for having the disease; the illness would be diagnosed and treated by infectious disease specialists, radiologists, neurologists, or surgeons, not psychiatrists; and the debate about "parity" would disappear: Health insurance policies would cover the treatment of such newly discovered brain diseases the same way they now cover the treatment of brain abscess, glioblastoma, Parkinsonism, and other diseases of the central nervous system.

Is Economics a Science?

To the Editor:

Milton Friedman writes in *Ideas on Liberty/FEE Today* ("My Five Favorite Libertarian Books," April 2002): "First, Adam Smith's *The Wealth of Nations*. This book, published in 1776, founded economic science."

Economics is not a science. . . . Mortimer Adler wrote: "The conduct of human life

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and the organization of human society depend on our answers to such questions as what happiness consists in, what our duties are, what form of government is most just, what constitutes the common good of society, what freedom men should have, and so on. Not one of these questions, nor any questions like them which involves right and wrong or good and bad, can be answered by science, now or ever."

. . . Economists and psychiatrists study human behavior. The study of human behavior is not a science. *Ideas on Liberty* is not a scientific journal!

—David Herman
(daherman@suffolk.lib.ny.us)
by e-mail

Mark Skousen replies:

Your statement, "Economics is not a science," reminds me of the *Methodenstreit* debate between the German historical school and the Austrian school of economics in the nineteenth century. According to the Germans, there could be no scientific economic "laws" outside of politics, custom, and the legal system. In his classic work, *Grundsätze*, translated as *Principles of Economics*, Carl Menger demonstrated that economics should be a science and that universal laws of economics do exist. In his book, he enunciated the law of imputation and the principle of marginal utility, among others. It was a tour de force. Eugen Böhm-Bawerk, Ludwig von Mises, F.A. Hayek, and later the American economists Murray N. Rothbard and Israel M. Kirzner, extended Menger's scientific breakthroughs into capital theory, monetary policy, business-cycle analysis, and other fruitful studies.

Of course, the Austrians do not have a monopoly on scientific laws and analysis. Other economists, including Adam Smith, Alfred Marshall, and Milton Friedman, have made extensive use of economic analysis and principles to come to significant conclusions about human behavior. The Chicago School, led by Frank H. Knight, Milton Friedman, and Gary Becker, has made amazing advances in the application of economic laws to human behavior, especially the use of the downward-sloping demand curve as an incentive/disincentive tool. Chicago economists have demonstrated clearly that raising the cost of criminal behavior reduces crime, that lowering the price of divorce increases the number of divorces, and so on.

Austrian economists have noted correctly that the science of human action (what Mises called "praxeology") is distinct from the physical sciences. Economics may be more subjective and qualitative than the physical sciences, but it is still a science.

Having said that, I agree with Mortimer Adler that true science cannot define happiness, justice, and morality. As Max Weber noted, economics must be "value free and objective" if it is ever going to succeed as a pure formal science. Economics may tell us the effects of a higher minimum wage on the employment of the poor and minorities, but it can't say whether such a law is good or bad. Economics may tell us how to get rich, but it can't guarantee happiness.

Insurance and the Price of Drugs

To the Editor:

[William L. Anderson's March article, "Prescription Drugs and Advertising," is an] excellent article with one small error. Third-party insurance payments in the *private* sector do not drive up the price of drugs, any more than third-party insurance payments on auto, home, business, or life insurance do. The cost is shared, paid for by the premium payments. The overall amount of dollars available is the same. There are no extra dollars to bid up the price of prescription drugs.

—John Hodde
Colville, Wash.

William Anderson replies:

Mr. Hodde raises an interesting point, but one that is mistaken, I believe. For one, the purchase of drugs is not the same as purchasing insurance. We purchase insurance in the hopes of not having to use it. However, if third parties such as employers are paying for insurance, there is no doubt that we will purchase more of it than we would if we

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were expending our own personal funds.

The advent of third-party payments in medical care, be they for drugs or other medical treatments, has had the effect of funneling more money into the system than otherwise if individuals were spending the money directly. The incentive structure is different, and we can expect different behavior.

Who Should Vote?

To the Editor:

Though I virtually always concur with Walter Williams, it is my disagreement with him that has motivated me to write. . . . ("Who Should Vote," January 2002). The analogy between the corporate stockholder as voter and the citizen as voter is misleading and borders on fallacious. That both may have financial considerations in their voting patterns says nothing about the intensity of those considerations. While growth in earnings is likely to be the prime motivator for the voting patterns of corporate stockholders, growth in personal handouts is not necessarily what primarily motivates citizens' voting behavior. Anecdotal and concrete evidence abounds suggesting that many citizens vote on what the voters perceive to be nonfinancial issues: abortion, religion, free speech, ethnicity, etc. In short, there are myriad reasons why citizens vote in particular ways.

Though no doubt true that some individuals vote for candidates who the voters perceive will enhance their own pocketbooks, this is not a phenomenon possessed only by the non-taxpaying public. The poor are not the ones sending armies of lawyers and lobbyists to Washington in search of favors. Removing some citizens from the voter rolls would not end wealth redistribution; it would merely alter the patterns of distribution.

The non-taxpaying voting public is not the problem. Leaving the decisions to taxpayers will solve nothing. For every taxpaying Reagan, there is a taxpaying Kennedy. The problem, which Williams ultimately recognizes, is a Congress that doesn't care if it passes unconstitutional laws and a judiciary that doesn't care to enforce the Constitution.

We may not all have a stake in whether or not General Motors returns a profit next quarter but, as citizens, we all have a stake in our freedom and the direction our government takes.

—Claire Bessonette
Key Biscayne, Fla.

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IDEAS ON LIBERTY
JULY 2002

An Open Letter to My Parents

Dear Mom and Dad:

I suppose I'm typical: not until my own child came along did I reflect seriously on the sacrifices you made and on the challenges you confronted in raising my siblings and me.

There's so much to thank you for. But here I focus on what is surely your most precious gift to each of your four children: through example and through words you taught us those rules of living that make us fit to live in a free society.

I know that you never consciously thought of your goal in quite these terms. You just straightforwardly taught us right from wrong, good from bad, decent from indecent. But it's in learning these vital distinctions—in having them etched into one's very being—that a child grows into a respectable, responsible, productive, and decent adult. And a free society depends upon such adults.

Here's what you taught my siblings and me.

There's no excuse for taking other people's things. I recall when I was about five years old and returned home with Mom from a short visit to a neighbor's house. Mom, you discovered in my hand a fistful of rubber bands. "Where did you get these?" you asked. "From Miss Jane's house," I replied. "Did she give them to you?" you inquired.

"No, but they're only rubber bands. And she has plenty of them."

After sternly assuring me that this excuse was worthless, you marched me back across the street to return my pilfered booty. I was ashamed of myself when I confessed to Miss Jane my offense and apologized to her. It's an excellent thing that I felt that shame then, and that I remember it to this day.

I remember also your reaction to the philosophy of a newly ordained Catholic priest who came to our parish. While having coffee at our home one evening, he assured you that, in God's eyes, it's okay to take someone else's things if that other person is wealthier than you and if the things taken are of little value.

You were appalled! Despite your immense respect for men of the cloth, despite the priest's being more schooled than you, and despite our family's very modest income, not for a moment did you countenance this nonsense. For years afterward I heard you recount to friends and acquaintances how, with all the respect you could muster, you replied to the priest that "stealing is wrong, period."

We are each responsible for our lot in life. Often, each of your children would try to blame others for his or her misfortune. "The teacher is mean" and "the teacher is unfair" were favorite excuses for bad grades or for being punished at school. Not once did these excuses work.

Looking back, perhaps there were times when you suspected our teachers of incom-

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petence or of unfairness. If so, you never let on to your children. I remember envying friends whose parents would readily side with them when they accused their teachers of unfairness or some other treachery. But your children learned early on that no such excuses had the slightest hope of causing you even tentatively to forgive a poor grade or a school punishment. The lesson for us was clear: excuses don't work. Each of us, individually, must accept responsibility for his actions and not blame others.

Life has promise for those who work hard and are honest. I cannot tell you how pleased I am that, after the many years that each of you spent working in a shipyard, you are now retired and finally have the time and resources to relax and travel a bit. How you stretched our family's meager income to make a comfortable and happy home is beyond me—but you did.

Not once did I ever hear you complain that others were wealthier than we were. Indeed, although all of us were aware that our family was not rich, not once did you act or speak in a way implying envy or bitterness. Nor did you ever suggest to my siblings and me that the social or economic deck was stacked against us. You expressed nothing but assurances that if we worked hard and were honest, no amount of success would be out of reach.

These last points might appear to be especially trite. I'd bet my last dollar that you never even *thought* to be envious or bitter or hopeless.

Resentful of Wealth?

But having now spent the bulk of my adult life in academia, I tell you that most academics think that blue-collar workers, such as you, inevitably envy more highly paid white-collar workers. In the opinion of the professionally opinionated, you are supposed to resent your lot in life; you are supposed to see others' greater material wealth as being stolen from you and other working-class families (particularly given that neither of you ever belonged to a labor union); you are supposed to believe that without special assistance from government, you and your children are doomed to continued oppression by heartless employers as well as by devious merchants who beguile you with crass marketing gimmicks into wasting your money on worthless trinkets.

None of what you are "supposed" to believe do you believe. Thankfully so, because it is all untrue. It's a hodgepodge of hallucinations by people obsessed with money—people who believe that the most important thing is how much money each of us has relative to others—people who believe that those with above-average wealth get it by unsavory means and will inevitably use it to crush workers of modest means unless the state intervenes—people who believe that ordinary men and women can have no happiness or hope without income redistribution and other forms of government assistance.

I'd caught not a whiff of class antagonism until, as an adult, I first met people from the academic class. But this antagonism wasn't held by any of the working-class families that our family knew so well; it is merely assumed by the academic class to describe the attitudes of the working class. What a mistaken assumption!

In fact, Mom and Dad, you taught your children well that our society rewards hard work, good education, and honesty. You taught us to be proud of what we earn and never to envy what others earn or possess. You taught us to be responsible, truthful, and civil.

In short, you taught us how to be good citizens of a free society. For that, and for much else, I thank you from the bottom of my heart. □

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BOOKS

The Great Breakthrough and Its Causes

by Julian L. Simon,
edited by Timur Kuran

The University of Michigan Press • 2001
• 214 pages • $39.50

Reviewed by Robert Lawson

Julian Simon's final work before his untimely death is perhaps his most ambitious undertaking. He wants to explain why at least some parts of humanity, after millennia of virtual stagnation, suddenly began a rapid increase in living standards around the years 1750–1800. Simon labels this phenomenon Sudden Modern Progress (SMP). His explanation? People. Yes, Simon argues that population growth and density are the most important causal factors that led to the "breakthrough" in the late 1700s.

This is a shocking hypothesis even to those of us who reject the doom and gloom of the Malthusian crowd. The Malthusians argue that population growth leads to human degradation as our resources fail to keep pace with the number of mouths to feed. Others, including Simon, have argued that technology offsets the effects of increased population so that we can feed the larger population without difficulty. And indeed technology can increase so fast that we not only can feed the larger population but also provide good housing, clothing, computers, cellular phones, and so on. But to argue that increased population itself is the cause of the increased technology, not just a problem to overcome, seems at first glance to push the argument too far.

First, Simon needs to convince us that SMP has even occurred. That is, he must demonstrate that "starting in the eighteenth century, the increases in rates of change of the most important magnitudes pertaining to human welfare are breathtakingly large." On this front, he succeeds. Using data culled from a wide range of sources, he demonstrates that the period from 1750 to 1800 was indeed a period of amazingly fast progress compared to previous eras.

Second, Simon needs to demonstrate that the "modern surge of population began earlier than the surge of the consumption variables." The population of the world (particularly in Europe which led the SMP) did begin to rise around 1600 after the worst of the epidemics were dealt with. So he seems to take that point.

Third, Simon needs to explain how population growth (and density) can lead to technological progress. A partial answer is that necessity is the mother of invention. Rising populations require more food to avoid Malthusian starvation, and people look for ways to avoid that. Eventually, someone succeeds in finding a solution to the food (or any other) problem, and the solution leaves humanity better off than before the problem arose.

One of the most challenging aspects of Simon's thesis is his lack of emphasis on institutional arrangements, property rights and the like. These are things libertarians have long emphasized. Simon acknowledges that institutions matter, but argues that they are not so much the cause of progress as the result of human population's need for better institutions.

Consider the development of private property rights. In prehistoric times, land was not very scarce and hence there was no need to develop private property. As time went on, however, property became necessary to deal with competing claims for resources among the larger, denser population. Simon also rejects short-term political institutional arrangements as being important in explaining SMP: "the political-economic structure can be, and often is, quickly altered by various events. A factor that is so malleable is not a good candidate to be the primary determinative variable in the very-long run system under consideration."

One tough part of Simon's argument is China and India. Those countries had levels of population and population density comparable with Europe. Why did SMP begin in Europe instead of China and India? Simon devotes a whole chapter to this issue. His

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answer is that institutions do matter in determining where SMP can occur, but not so much when it occurs. Europe, China, and India did reach the necessary population levels that could lead to SMP, but the institutions of Europe were superior from the standpoint of wealth creation. But Simon argues that European (especially Anglo-Saxon) institutions would have been useless in a sparsely populated society. So population still is the determining critical factor.

Overall, this is an impressive work and I found myself drawn to the argument. But there are problems. As Simon himself notes, it is very difficult to disentangle the mutually reinforcing effects of population and technology. Population grows so technology expands to deal with the increased numbers, and the technology increase allows the population numbers to increase still further and so on. It's all a bit circular.

The book is written in a fairly technical style that may present difficulties to the average lay reader. But Simon's technical writing is interspersed with enough clear statements that dedicated readers should find the book manageable.

Julian Simon's final work certainly lives up to his reputation as an original and audacious thinker. While not everyone will come away convinced that he's right, he brings enough evidence and logic to bear that no one will be able to disregard his thesis easily. □

Robert Lawson is the George H. Moor Chair and professor of economics at Capital University in Columbus, Ohio and co-author (with James Gwartney) of Economic Freedom of the World 2000.

Going Up the River: Travels in a Prison Nation

by Joseph T. Hallinan

Random House • 2001 • 262 pages • $24.95

Reviewed by John Seiler

Across America's vast territory stretches another country, an archipelago, few citizens know about: the Gulag Americana. Many of the inmates belong there: murderers, rapists, thieves. But many don't, having been sent to prison for crimes that didn't hurt anybody, especially nonviolent drug offenses.

Going Up the River details the Hell of American prisons. It refutes the myth, told often by political candidates or talk-show hosts, that American prisons are "country clubs." In fact, they're the opposite: places where inmates commonly are beaten by guards and raped by other prisoners—the latter horror a potential form of murder in these days of AIDS.

"In 1939, at the end of the reign of gangsters like Al Capone, we sent 137 Americans to prison for every 100,000 citizens—a high water-mark that stood for four decades," Hallinan writes. "But in 1980 we broke that record, and we've been breaking it ever since. By 1999, the U.S. incarceration rate stood at a phenomenal 476 per 100,000—more than triple the rate of the Capone era. So common is the prison experience in America today that the federal government predicts that one in every eleven men will be imprisoned during his lifetime. For black men, the figure is even higher—more than one of every four."

One of the few full-time writers examining prisons, Hallinan crisscrossed the country looking for why this tripling of the per capita incarceration rate occurred in just 20 years: It was mainly the drug "war." This new form of prohibition—far more vicious than alcohol Prohibition ever was—raked in millions of people. For federal prisons alone, according to a Bureau of Justice Statistics report released after the book was published, of the 107,912 inmates in federal prisons in 1998, 58 percent were sentenced for nonviolent drug crimes.

But it also was the change in political fortunes, as the 1970s Nixon-Carter economic malaise depressed many small towns, making it enticing for them to lobby for prisons. This in turn created a large nationwide lobbying force to keep the prisons going. And prisons need products to process—prisoners. The cost was $24.5 billion in 1996 for all prisons, $55 per day per prisoner on average.

Overcrowding jams the prisoners down

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into further circles of prison Hell, inflicting a Dantean agony. Politicians and callous citizens don't care much that even violent felons, who should be in prison, deserve to be treated as human beings. For nonviolent offenders, the disconnect between the nature of the crime and the severity of the punishment is simply appalling.

Despite many court orders against overcrowding, Hallinan writes, "At last count, thirty-three states—plus the federal government—reported inmate populations that exceed the rated capacities of their prisons. Overcrowding had a foreseeable consequence: it created the perfect breeding ground for gangs. In a crowded prison a warden is forced to mix the strong inmates with the weak."

Although many prisons still use "correctional" in their title, there has been a lamentable trend away from trying to rehabilitate prisoners. Libraries have been reduced and schooling eliminated. Many work programs, within and outside prisons, have been canceled. Yet Hallinan notes, "It is an axiom in prison that an idle inmate is a dangerous inmate. For this reason, safe prisons keep their inmates working."

Crime dropped during most of the 1990s. Prison wardens, police, and many politicians not surprisingly attribute the trend to the "tough on crime" laws passed beginning in the 1980s. But in the mid-1980s, James Q. Wilson, the UCLA criminologist, predicted that politicians in the 1990s would have an easy time on the crime issue because of demographics. The baby boom became a baby bust in 1965, meaning proportionally fewer young men would be around to commit crimes 20 years later. Much as the police and prison industry want us to think so, crime has not fallen because we have increased the number of convictions.

Reforms are vital to make the Gulag Americana more humane. Ending the drug war is crucial. The authorities should also do much more to prevent violence in prison.

Going Up the River shows that the American prison system is an international disgrace that must be changed. □

John Seiler is an editorial writer with the Orange County Register.

Love and Economics: Why the Laissez-Faire Family Doesn't Work

by Jennifer Roback Morse

Spence Publishing Company • 2001 • 273 pages • $27.95

Reviewed by Ryan H. Sager

In *Love and Economics*, Jennifer Roback Morse explores territory where many libertarians fear to tread: The importance of the family to civil society. In her view, libertarians have spent so much time making the case for the autonomy of the individual that they have become reluctant to consider the importance of strong, and even restrictive, family bonds. Autonomy is not just a libertarian fetish though, according to Morse. Many on the left have also been tempted by the desire to shirk the responsibilities of hearth and home. Both, however, fail to appreciate the essential role of the family in shaping individuals and holding together society.

To open the book, Morse singles out what she calls the new problem that has no name. She dubs it the "laissez-faire family." In this family, the members take the libertarian approach to economics and government to its logical extreme in their personal lives, considering themselves bound to their spouses and families only insomuch as they have consented to be bound. Such an arrangement is untenable, in Morse's view, because human relationships are too complex to be conceived of as contracts, and because it devalues one of the most basic human values, namely, love.

Economists usually are not comfortable with amorphous and perhaps embarrassing-to-discuss concepts such as love, but Morse, who taught economics for 15 years at Yale and George Mason universities, makes a compelling case for the important connection between love and economics.

As economists know, trust is the central factor in establishing a working economy. (Not even the most primitive exchanges can take place if one party thinks that the other is going to club him over the head and run

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away with all the smooth rocks; a banking system of extensive lending and borrowing takes that concept to a significantly higher level.) Trust, however, is not an inherent human quality, and is not arrived at through the marketplace. Instead, Morse argues, it is incubated within the family. Parents must give their children love, not seeking anything in return, to begin the cycle of trust and reciprocity.

The question of how parents achieve this leads to perhaps the most insightful discussion in the book as Morse applies economics to the realm of parenting, drawing heavily on her own experience as a mother of two children. Building on F.A. Hayek's concept of tacit knowledge—the innumerable and unspoken reasons behind people's economic actions—Morse goes into great detail showing the plethora of ways in which parents, especially mothers, often unknowingly contribute to their children's development through seemingly meaningless and random actions. From the simplest rocking of a newborn (which stimulates the nervous system and helps with sensory integration) to the more complex game of peekaboo (which builds the basic concept of trust and reciprocity), parents continually shape their children in ways that can scarcely be imitated by people or institutions outside of the family.

Unfortunately, in Morse's view, it is to just such people and institutions that many on the left and the right wish to hand the care of their children. For those on the left the ideal alternative to parental care is state-run, or at least state-supported, day care. Those on the right favor market-based day care. No alternative, however, can match the care of a dedicated parent as far as Morse is concerned. State-run day care, where it has been tried, such as in many of the former Soviet bloc countries, operates with all the warmth and humanity of a puppy mill. And even the most highly paid au pair cannot help but fall short—unable to form the permanent bonds a child needs.

Later in the book, Morse turns her attention to the common conceit of analogizing marriage to a contract between a husband and a wife. In a quite thorough and illuminating section, she demonstrates that marriage is closer to the legal definition of a partnership than a contract. Whereas in a contract specific exchanges are laid out ahead of time, in a partnership resources are joined and control of the enterprise is shared, allowing for far more flexibility. A marriage cannot be a contract, she argues, because of the inherent complexity of human relationships, which need the flexibility of committed partnerships to survive. Bonds between parents and children, and between other blood relations, rise even above the level of partnerships.

Despite a somewhat garbled discussion at the end of the book of whether the decision to love is reasonable—a section that attempts to answer such intractable questions as "what is love?" (perhaps best left to non-economists)—Morse makes a compelling case for libertarians and others to pay more respect to the role of the family. While many commentators have certainly made the case for strong families, Morse's economic approach is a novel and thought-provoking addition to a long-running debate. □

R.H. Sager is a news assistant at the New York Sun.

A Primer on America's Schools

edited by Terry M. Moe

Hoover Institution Press • 2001 • 324 pages • $25.00

Reviewed by Jeffrey A. Miron

This volume presents 11 essays on the state of K-12 education in the United States. It is the first effort by the Koret Task Force, a group of scholars commissioned to "encourage a stronger connection between policymaking and good social science" in the area of K-12 education. The essays in this first publication do three things: they provide basic background on the American system of K-12 education; they indicate what the authors view as the key problems with the current system; and they

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explain several authors' preferred means of rectifying these problems.

In the first of those tasks, the volume succeeds admirably. Diane Ravitch and John Chubb give a brief history of K-12 education and a concise overview of current practice (or, more accurately, malpractice). Herbert Walberg discusses what our K-12 education currently achieves in terms of measurable educational goals, and Eric Hanushek examines the (weak) relation between education spending and outcomes. Paul Peterson provides a useful review of the evidence on vouchers.

The volume also succeeds in the second of its tasks. Of particular importance here are Chester Finn's discussion of teacher certification and Terry Moe's analysis of teachers' unions. Both make a convincing case that these institutions impede productivity in K-12 education. Certification and unionization are protections for the education establishment, inhibiting competition and ensuring mediocrity.

In its third task, however, the book is far from compelling. Moe's *Primer* is meant more as an outline for future work than as a completed analysis, so it is perhaps premature to judge. Yet the authors appear confident in their prescriptions for improving K-12 education, and there is a consistent perspective from most of them.

The "consensus" view is that to improve K-12 education, policy must "establish high standards" and "hold schools accountable." In particular, several authors advocate the use of "high-stakes" tests administered on a regular basis to students. The idea is that if students know they must pass such a test to advance, and if teachers, principals, and administrators know their funding depends on these test scores, both sides will make sure students test well, with positive effects on the quality of education.

Testing is undoubtedly a critical part of any educational experience, and some critiques lodged against high-stakes testing are just plain silly (for example, "some students might fail!"). Likewise, lack of accountability certainly exacerbates existing problems: if nothing bad happens when students do not learn, educators have insufficient motivation to change their behavior.

But further reflection suggests the high-stakes testing approach has its own drawbacks. If a state-wide test is not well-designed, all students suffer. The response that policymakers must therefore design a good test is easier said than done. Political forces inevitably intervene.

High-stakes tests are also problematic because over time, political forces push standards down to the point where everyone passes. In that case, testing merely creates more bureaucracy and distracts attention from other reforms.

A further problem with high-stakes tests is that the rewards attached to test outcomes encourage cheating by students, teachers, and administrators. A related problem is "teaching to the test" in ways that are not well-connected to improved educational outcomes. Under such conditions, increased test scores are not meaningful. Indeed, recent research finds that parents do not put much value on improvements in high-stakes test scores.

It is thus unclear that high-stakes testing can induce accountability without causing more harm then good. Is there a better response? Caroline Hoxby's essay suggests it is to leave accountability to parents, not the government. That is, give parents more choice (for example, via vouchers) and allow them to decide what qualities they want in their children's education.

This approach is not appealing to many so-called liberals, who do not trust parents to make good choices. Interestingly, it is also unattractive to many conservatives, who similarly distrust parents. That is why they want to impose one curriculum on all schools and hold everyone "accountable."

This, then, is the central issue that confronts the Koret Task Force: who gets to decide what students should learn? Most members of the task force appear to believe it should be the government. This is a surprising conclusion from a group that generally favors markets over government, and it is one for which the Task Force has so far provided little evidence.

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While *A Primer on America's Schools* is useful in delineating the grave weaknesses of our "public" (government-run) education system, it is less persuasive in the improvements department. A point worth debating is whether our heavily politicized education system is capable of anything beyond cosmetic change. The Koret Task Force might want to ponder this question in its future work. □

Jeffrey Miron is professor of economics at Boston University.

If Americans Really Understood the Income Tax: Uncovering Our Most Expensive Ignorance

by John O. Fox

Westview Press • 2001 • 344 pages • $30.00

Reviewed by Murray Sabrin

At first glance, John O. Fox's book on the income tax, which has a dust jacket featuring the U.S. Capitol and a magnifying glass focusing on a 1040 form, promised to be a hard-hitting critique. I was eager to read what I hoped would be an insightful and penetrating analysis of taxation by a tax attorney who has been practicing his craft for nearly 40 years. Finally, I thought, a tax attorney is about to reveal the truth about the income tax: it is legal plunder, reduces our standard of living, wastes people's time and energy complying with the code, and violates our privacy, among other things.

I eagerly turned to the bibliography. My high hopes were now about to be confirmed or dashed. There is no citation for Leonard Read's *Anything That's Peaceful,* Frank Chodorov's *The Income Tax: Root of All Evil,* Charles Adams's *For Good and Evil,* Sheldon Richman's *Your Money or Your Life,* Murray Rothbard's *Power and Market,* Amity Shlaes's *The Greedy Hand,* or even my own *Tax-Free 2000.* There is no mention of the dozens of anti-tax books that have been published in the past 100 years, let alone Frédéric Bastiat's *The Law.* In short, before I plunged into John Fox's book, I had an inkling of what to expect: just another book on "tax reform."

Fox's tax reform proposal has three components: (1) the income tax should be simplified, (2) progressive tax rates should be lowered for everyone, and (3) tax revenue should remain at current levels. In addition, he asserts, "Income taxation must be fair if our nation is to be fair. While immensely complicated, fairness at a minimum means that our tax *burdens* must correspond strongly with our ability to bear them" (emphasis added). In short, the income tax should adhere to the principle: "From each according to his ability, to each according to his need." Of course, many people have challenged that Marxist underpinning of our "progressive" income tax, but Fox doesn't deign to argue the point. That magnifying glass never focuses on the right questions.

On a positive note, Fox does a credible job in explaining deductions, preferences, and exclusions in several chapters. However, he makes the egregious error of identifying tax deductions for home mortgage interest, pension plan contributions, and other things as "tax subsidies." A tax subsidy implies that anytime a taxpayer gets to keep more of his own money because of a deduction, the government is getting ripped off. In other words, Fox reveals he is an unapologetic statist, a believer in big government.

Fox's goal is to "simplify" the tax code and eliminate most if not all deductions so rates can be reduced for everyone. The 1986 tax bill signed by President Reagan promised this by dropping the top tax rate to 28 percent and ending many deductions. A simplified tax code would achieve many worthy goals—lower compliance costs, more economic growth, and more financial privacy—but 15 years after the 1986 "reforms," the top rate is back up to nearly 40 percent, all wages and salaries are now subject to Medicare taxes, the tax code is still unbelievably complicated, and the IRS is as intrusive as ever. In addition, the evil Alternative Minimum Tax is still with us snaring more and more taxpayers in its web.

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Throughout the book, Fox makes statements that reveal how Marxism has been embraced by mainstream Americans. "No one denies that unfettered capitalism, with its free-market outcomes, allows for extremes of wealth and poverty." "Conservatives today recognize that society cannot rely entirely on a self-regulating economy." "Capitalism rewards people who are best able to make money, even when the impact on society is unfavorable." Fox doesn't offer any evidence to support his assertions; he just makes them if they are self-evident. In his mind, such socialist blather supports the "need" for a massive government and wealth redistribution via the tax system.

The great shortcoming, among many, in Fox's book is that he does not discuss federal spending. Taxation and spending are two sides of the same coin. Spending drives taxation. The more the federal government spends, the more it taxes. Yet Fox wants to make tax reform "revenue neutral." Fox therefore is a "conservative": he wants to conserve the leviathan in Washington, D.C.

For libertarians and real Old Right conservatives, the books that were not in Fox's bibliography are the first and last words about taxation. Had Fox read them before he wrote his book, it could have been a gem instead of fool's gold. □

Murray Sabrin is professor of finance, Ramapo College of New Jersey.

The Race to the Top

by Tomas Larsson

Cato Institute • 2001 • 164 pages
• $18.95 cloth; $9.95 paperback

Reviewed by George C. Leef

The inveterate complainers who jump at any opportunity to smash windows to protest globalization are fond of saying that globalization means "a race to the bottom." Supposedly, unfettered worldwide trade and competition are bad because they will drive down wages, living standards, environmental conditions, and so on. Just as Karl Marx tried to frighten people with the prophecy that laissez-faire capitalism would reduce wages to the level of bare subsistence, so do antiglobalists try to frighten people with the prophesy that it will impoverish nearly everyone except a few plutocrats.

Marx was famously wrong, of course, and so are the antiglobalists. Economists have demonstrated why, in theory, the wider the market, the greater will be the benefits of specialization and trade. That argument convinces a few people, but most don't grasp theoretical arguments. Far more persuasive for most people are individual stories where they can readily see the impact that freedom (or its absence) has.

Enter Swedish journalist Tomas Larsson with his book *The Race to the Top*. Larsson has actually lived in a number of the nations that the rock-throwers say they intend to save from the horrors of globalization, and his observations on the actual rather than the imagined effects of foreign investment and trade are simply devastating to the antiglobalist position. Freedom, it turns out, begins not a universal race to the bottom, but instead a race to the top that is especially beneficial for the world's desperately poor. In the course of the book, handwringers like John Gray come off looking ridiculous.

Brazil is a country the antiglobalists often point to, claiming that its experience proves that the uncontrolled market leads to "economic polarization" manifesting itself in "special enclaves for the rich and stashing the poor in prison." Reality is far different, Larsson shows. Despite an extraordinary degree of governmental interference with free markets—high tariffs protect inefficient state enterprises and a fat public sector drains resources away from workers and entrepreneurs—where economic freedom has seeped in, it has made a tremendous difference. Larsson quotes another journalist intimately familiar with Brazil: "I know people who were literally starving 10 years ago, who now have both fridges and computers."

Thailand is another country supposedly threatened by globalization. Larsson spent years there and understands its situation well. Again, it's a case of capitalism strug-

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gling against the clumsy meddling of government. "The country's rulers have been more concerned with building up prestigious heavy industry than with making proper jobs possible for young people," he writes. Trade and investment are stifled by "all manner of taxes and regulations that fend off foreign goods and capital." A high minimum wage keeps low-skilled workers from a chance at improving their lot in life. Critics who cite Thailand as evidence of the harm of globalization have it all wrong, Larsson argues. The anti-market rhetoric is again proven to be shallow and ill-informed.

What about the antiglobalist argument that free trade leads to the "McDonaldization" of foreign countries, supplanting their indigenous (and in the minds of most antiglobalists, morally superior) cultures with American commercialism? Again, Larsson scoffs, having actually observed cultural assimilation. "This is not persuasive," he writes, "especially to those who have taken the trouble of visiting a foreign land. All the cultural diversity is still there."

The recurring theme of the book is the antagonism between the expanding opportunities globalization brings to people and the efforts of elites to shut down those opportunities to protect their comfortable status quo. One of Larsson's most telling insights is the role of information in economic liberalization. "A free (and professional) press is one of the key institutions that enable individuals and countries to take advantage of the opportunities presented by the global economy—and to avoid its pitfalls," he writes. Unfortunately, "of the five countries receiving the largest net income from multilateral aid organizations like the World Bank and International Monetary Fund, not one enjoys a free press."

The antiglobalists (and statists of all varieties) spin out elaborate, deceptive webs to snare the gullible into believing that freedom is dangerous and undesirable. *The Race to the Top* stands for the opposite idea. "Freedom is good for everybody," Larsson says.

If you won't settle for overheated rhetoric and ignorant rants about globalization, and would like to know the truth, this is a book you will want to read. □

George Leef is book review editor of Ideas on Liberty.

This Month at Laissez Faire Books

Spotlighting books reviewed in this issue of Ideas on Liberty.

The Race to the Top
The Real Story of Globalization
By Tomas Larsson
Cato Institute, 2001
IL8581, Paperback, 164 pages
Price: $9.95

Love & Economics
Why the Laissez-Faire Family Doesn't Work
By Jennifer Morse
Spence Publishing, 2001
EC8482, Hardcover, 273 pages
Price: $27.95

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More from Laissez Faire Books

Featuring books mentioned in this month's *Ideas on Liberty*.

From Subsistence to Exchange and Other Essays
By Peter T. Bauer
Princeton University Press, 2000
IL8155, Hardcover, 153 pages
Price: $19.95

The Skeptical Environmentalist: Measuring the Real State of the World
By Bjørn Lomborg
Cambridge University Press, 2002
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The State of Humanity
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Crisis and Leviathan: Critical Episodes in the Growth of American Government
By Robert Higgs
Oxford University Press, 1987
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The Millionaire Next Door: The Surprising Secrets of America's Wealthy
By Thomas J. Stanley & William D. Danko
Pocket Books, 1998
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How the West Grew Rich: The Economic Transformation of the Industrial World
By Nathan Rosenberg & L. E. Birdzell
Basic Books, 1985
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IDEAS ON LIBERTY
JULY 2002

What Protects Consumers and Workers?

Baltimore Sun political writer H. L. Mencken once warned, "The whole aim of practical politics is to keep the populace alarmed, and hence clamorous to be led to safety, by menacing it with an endless series of hobgoblins, all of them imaginary." As saviors, politicians then announce an array of government programs to safeguard a grateful electorate from one hobgoblin or another. For that safety, taxpayers are forced to cough up billions of dollars to finance government agencies like the Federal Trade Commission (FTC), Consumer Product Safety Commission (CPSC), and the Food and Drug Administration (FDA).

What is it that ultimately protects the consumer? It's not government but competition—many commission producers competing with one another for our dollars. What motivates a grocery store manager to have sales, introduce new products and services, and incessantly search for other ways to please us and make us loyal customers? The easy answer is that the manager seeks greater profits, but profits cannot be simply decreed because he has no power to force us to shop at his store. He must lure us into his store, pleasing us more than our next best alternative—his competitor down the street.

The lives of the manager and his employees would be much easier if they could get legislators to write "level playing field" laws to "protect consumers" against cutthroat competition. That law might mandate that all grocers charge the same prices, sell the same items, and provide identical customer services. That way competition would be reduced. Right now your grocer and his employees know that if he charges high prices and provides poor service, you will take your business elsewhere. That would result in less business, lower profits, and possibly bankruptcy. But if the manager and his employees could persuade lawmakers to enact a level playing field law, it would be a different story.

The identical principle applies to workers. Some people think labor unions, Occupational Safety and Health Administration (OSHA), and minimum wage laws protect the worker. Unions, OSHA regulations, and minimum wage laws do protect the jobs and income of some workers, but only at the expense of other workers' jobs and incomes. Unions and many labor laws are little more than a collusion against other workers. Union leaders argue that their right to strike is their most powerful tool in their pursuit of higher wages and better working conditions. That is not true. All by itself a strike is little more than a mass resignation. It is the union's ability to use government-backed power or violence to prevent employers from hiring other workers in their places that makes a strike effective. That is why the 1980s air traffic controllers strike failed; they could not prevent the Federal Aviation Administration (FAA) from hiring other

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The identical principles of competition apply to government. There we call it federalism. Federalism means there is a central government with strictly enumerated and limited powers. Most political decision-making occurs at state and local levels of government.

workers. What truly protects workers as a group is competition, where many employers are competing for their services.

The identical principles of competition apply to government. There we call it federalism. Federalism means there is a central government with strictly enumerated and limited powers. Most political decision-making occurs at state and local levels of government. There is jurisdictional variety, and citizens, with their assets and talents, have the power to leave a less-preferred political jurisdiction and move to one more to their liking. This is precisely what the Framers had in mind when they wrote Article IV, Section 4 of our Constitution: "The United States shall guarantee to every State in this Union a Republican Form of Government."

When there are competing jurisdictions, state and local governments must bear the cost of their mistakes. For example, in the 1940s and '50s, with government help, New England textile workers were successful in negotiating wages that exceeded their productivity. Textile manufacturers started moving to the South where wages were lower. In 1954, with union support, Senator John F. Kennedy sought higher federal minimum wage laws to discourage the southward movement of textile manufacturers. By thus raising labor costs in the South, he was hoping to impede manufacturers from "voting with their feet."

What is said here about competition is not restricted to strictly political or economic matters. A more-preferred lady is always treated nicer if she has many suitors; however, competition makes it possible for less-preferred ladies to effectively compete with more-preferred ladies. They do that by offering what economists call "compensating differences"—lower prices and greater services. In fact, there is an old rock-and-roll song about this competitive process that bears the title "If You Wanna Be Happy": "If you wanna be happy for the rest of your life, never make a pretty woman your wife. So for my personal point of view get an ugly girl to marry you" (www.geocities.com/oldiesheaven1/happy.html).

We should always demand competition, whether it's in the market or in the political arena. Competition promotes the interests of the ordinary person. □

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SAMUEL ADAMS (1722-1803)

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